

*The Economics of French Rule in Indochina:  
A Biography of Paul Bernard (1892–1960)*

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This article uses a biography of banker and economist Paul Bernard to describe the debates that influenced economic policy makers and business circles during the last quarter century of French rule in Indochina. Bernard, from the Great Depression through to his death in 1960, exercised considerable influence on the way French leaders thought about the economy of their Southeast Asian colony and of their overseas territories as a whole. As a financier, he also played a part in its shaping. This article outlines his business activities, especially as managing director of the French and Colonial Finance Company (SFFC), an important colonial finance house, and is to this extent a business history. Bernard, finally, participated in the state planning of the colonial economy during the heyday of French interventionism. From the point of view of his involvement, the article describes the role of the state in colonial economic development. His involvement was both constructive, in the drawing up of Indochina's industrialization plans, and critical, in repeated attacks on what he saw as misguided or irrelevant policy. He did not confine his comments to economic matters, and his criticism of the administration of Indochina may be taken as a running commentary of the final decades of France's colonial engagement in Southeast Asia.

**Abbreviations**

AE = Affairs Economiques  
AgFOM = Agence de la France d'Outre-Mer  
AOM = Archives d'Outre-Mer, Aix-en-Provence  
ASI = Annuaire Statistique de l'Indochine  
BIC = Archives of the Bank of Indochina, Banque Indosuez, Paris  
CFOM = Comité de la France d'Outre-Mer  
CP = Conseiller Politique  
INF = Indochine Nouveau Fonds  
MEA = Archives du Ministère des Affaires Etrangères, Paris  
SFFC = Société Financière Française et Coloniale  
TAI = Compagnie des Transports Aériens Intercontinentaux  
UCF = Union Coloniale Française

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### I. Paul Bernard and Indochina's Economic Development to 1930

Born near Paris in 1892,<sup>1</sup> Bernard first set foot in Vietnam in 1923, in the entourage of the newly appointed Governor General Merlin. He arrived during the 'Belle Epoque' of French rule in Indochina, a period of rapid economic development and seemingly endless prosperity. While before 1914 French private capital had been shared between Russia, Spain, the Austro-Hungarian and Ottoman empires and the colonies, during the postwar years the latter enjoyed a veritable rush of investments. In Indochina, this was the era of the powerful finance houses, led by the Bank of Indochina, who put up the money for plantations of coffee, tea and, above all, rubber in the 'red lands' of southern Vietnam. Between 1924 and 1930, 2,870 million francs were invested in Indochina, compared to 492 million between 1888 and 1918;<sup>2</sup> the number of companies operating in Indochina tripled in the course of the decade.

The main developments in Indochina's economic activity before 1914 were in agriculture and communications. In the 1860s the French admiral-governors started building canals in the Mekong plains; the delta was drained, settled and put to the plough; the number of hectares planted with rice increased from 522,000 in 1880 to 2,200,000 in 1937. Rice exports over the same period grew by over 500%. In 1900 Indochina's most ambitious Governor General, Paul Doumer, instituted a massive public works programme. Stressing the development of transport networks and initially designed to open up a route to China, it was also intended to give a geographical reality to the rather arbitrary political construct that was hitherto the Indochinese Union. The programme's main item was the Trans-Indochina railroad which would link up the two deltas of north and south Vietnam, and eventually extend to the China border and to Siam via Phnom Penh. This would connect with a line from the northern delta to the Chinese province of Yunnan, and another from the coast of central Vietnam into the middle reaches of the Mekong.

Doumer's imperial policy was implemented gradually: the Yunnan line was completed in 1910, the final link in the Trans-Indochina

<sup>1</sup> At Noisy-le-Sec, on 29 October.

<sup>2</sup> C. Robequain, *The Economic Development of French Indochina* (Oxford University Press, 1944), pp. 161–3.

railway was set in place only in 1937. Road and ports development complemented the railway network. The French government paid for the projects with a series of loans to Indochina; no outright grants were made, the principle of Indochina's financial autonomy having been decided in 1900.<sup>3</sup> Communications development was in line with the dominant colonial economic theory of the day, what Marseille has called pessimistic mercantilism. This theory assumes that industrialized countries produce more than their markets are able to absorb, and assigns to the colonies the twin role of producer of raw materials and market for manufactured goods. The colony is locked into a trade economy in which industry plays a minimal part.<sup>4</sup> Jules Méline expressed this idea in his book 'Retour à la terre et la surproduction industrielle' published in 1906:

Within a sound colonial system, colonial production must be limited to supplying the mother country with raw materials or with non-competitive products. If colonial production should step out of this field and offer competition ruinous to our own production then it would become a dangerous opponent.<sup>5</sup>

Indochina was brought into this system in 1892 with the establishment of a customs union, by which French products could enter the colony free of tax while those from other countries paid the same duty as in France; in return France was supposed to accept Indochinese goods duty free.

This conception of relations between France and her Asian colony was not seriously challenged before the 1930s. Various congresses put forward the novel idea that Indochina be allowed to develop economic relations with her regional neighbours.<sup>6</sup> Albert Sarraut in his 1921 plan for Indochina's economic improvement proposed the creation of 'poles of development', or centres where modern facilities could more efficiently process the export of colonial products. His programme did not propose industrialization, however, and was abandoned for reasons of cost.<sup>7</sup> On the ground, a certain number of industries were allowed to flourish, a cement works in Haiphong, a

<sup>3</sup> Act of 13.4.1900. Robequain, *Economic Development*, p. 150.

<sup>4</sup> J. Marseille, *Empire colonial et capitalisme français* (Paris, Albin Michel, 1984), p. 260.

<sup>5</sup> Quoted in Robequain, *Economic Development*, p. 129.

<sup>6</sup> Congresses of Marseille (1906) and Bordeaux (1907). Robequain, *Economic Development*, p. 131.

<sup>7</sup> G. Meynier, *Histoire de la France coloniale 1914-1990* (Paris, Armand Colin, 1990), section 2, pp. 136-8.

cotton mill in Nam Dinh, a sawmill and matchworks in Vinh, and in the Saigon area various agro-processing industries. These scattered efforts relied on private investment and a local market. The customs union, protecting the colonial trade economy, was reinforced by an Act passed in 1928.

### *Bernard's Career to 1930*

This was the Indochina to which Bernard came in 1923. He arrived as a military officer, with responsibilities in the army's geographical service and as adviser to the Governor General. It was not Bernard's first colonial posting; like many of his generation who had joined up in 1914, he preferred after the war to use his military skills in the colonies rather than seek a civilian career in France. As a 27-year-old captain he had spent the years 1919–1921 in Chad before returning to study ordnance technology in a school affiliated to the Paris War College. Offered a post in the Governor General's cabinet, he jumped at the opportunity to return to the empire.

But he did not spend long in public service. In 1925, he accepted a job with the French and Colonial Finance Company (*Société Financière Française et Coloniale*, or SFFC) as general inspector of the group's holdings. Founded on 12 November 1920, creation of tycoon banker and director of the Bank of Indochina, Octave Homberg, the SFFC had developed into a powerful finance house participating in the capital of more than 30 colonial enterprises. In December 1931, 19 of these were in Indochina.<sup>8</sup> The SFFC was in the forefront of Indochina's rubber boom and had interests in the production of tea, sugar, paper and textiles, as well as property and banking. Bernard's job as inspector gave him, in addition to considerable responsibilities, a unique education in the workings of the colonial economy. This would stand him in good stead in the early 1930s, when the Crash brought the SFFC's very existence into question.

### *The SFFC and the Great Depression*

The capital necessary to the SFFC's business had been provided by the sale on the Paris bourse of securities in the firms which it had contributed to establish. Loss of confidence in the colonial economy

<sup>8</sup> Yasuo Gonjo, *Banque coloniale ou banque d'affaires—La Banque de l'Indochine sous la IIIe République* (Paris, Ministère de l'Economie, 1993), p. 319.

after the fall in commodity prices reduced the stock market value of these companies; unable to sell its shares, the SFFC's source of funds was immediately cut off. The result was a cash flow crisis, with an immediate gap of 76 million francs and a further 165 million francs' book debt, difficult to recover in a time of recession. In a rare move, the Government General and the Ministry of Colonies organized a consortium of banks to raise a loan of 105 million francs; the SFFC thus narrowly avoided bankruptcy.<sup>9</sup> Homberg was the first casualty of the catastrophe. He was removed from the board of the Bank of Indochina and six other colonial firms, and in 1935 was to give way as chairman of the SFFC to Edmond Giscard d'Estaing.<sup>10</sup>

Homberg's fall coincided with Bernard's recall to Paris. He returned in 1931 to take over the general management of the group, and his appointment as managing director was confirmed at the SFFC's Annual General Meeting in 1935.<sup>11</sup> Along with Giscard d'Estaing and the company's vice-chairman, René Bouvier, he was the architect of a profound reorganization of the SFFC.<sup>12</sup> They drew up a two-pronged strategy for recovery. This involved on the one hand the liquidation of every possible asset and the reduction of activities to all but the most essential. SFFC branches in Phnom Penh, Hanoi, and Haiphong were closed; services to clientele in France were suspended; the company's capital was reduced to a mere 15 million francs. At the same time, the running of the SFFC became much more closely coordinated as the new board tried to infuse a greater spirit of solidarity into the group. Its holdings often had the same directors and managers. Bernard, for example, became chairman of two subsidiaries, the Société nouvelle des Phosphates du Tonkin and later the Société des Papeteries de l'Indochine.

The SFFC nevertheless required a further injection of capital in 1932. The Government General put up 13 million francs; the Bank of Indochina, 8 million. A turning point seems to have been reached sometime in 1933. A Government General report observed that 'despite the world economic crisis, the SFFC has carried out the entire programme outlined by the Government General of Indochina, and that the support operation has had the expected results'.<sup>13</sup> The 1932

<sup>9</sup> *Ibid.*

<sup>10</sup> Father of later President Valéry Giscard d'Estaing. J. Boudet (ed), *Le monde des affaires en France de 1830 à nos jours* (Paris, Société d'Édition des Dictionnaires et Encyclopédies, 1952), chapter 3.

<sup>11</sup> AOM, INF, carton 362, document 2875.

<sup>12</sup> Boudet, *Le monde des affaires*, chapter 3.

<sup>13</sup> Note sur la situation de la SFFC, p. 2: AOM, INF, c362, d2875.

credit was not fully used by mid 1935 and the SFFC felt sufficiently confident to raise its capital to 26.5 million by the end of the same year.<sup>14</sup>

*The Impact of the Great Depression on French Economic Thinking*

The challenges of the Great Depression were highly formative of Bernard's thinking. Whether it was as a result of the years spent as inspector of the SFFC, his military background or his graduation from the elite Parisian college, the Ecole Polytechnique, Bernard brought to the difficulties of the 1930s a highly analytical mind, able to see a problem as a whole rather than simply its parts.<sup>15</sup> He approached them empirically, disdaining the theorizing that characterized much colonial discourse. He explained his approach to problem-solving as follows:

To confront the problem of colonisation, it is necessary, like the mathematicians, first to imagine the problem resolved, which means taking the point of arrival as the point of departure. The goal thus fixed, it remains to determine the means necessary to attain it in the shortest time, taking account of the available capital, technical personnel and labour.<sup>16</sup>

The Crash forced Bernard to call the colonial economic order into question. In 1932 he opened his book on the subject with the comment that he was brought to write it by a feeling of confusion and worry.<sup>17</sup> The mathematics of company management were not working—the SFFC's activities had been pared to their barest essentials without tangible improvement in its situation—so there must be a crisis in the system. In 1934, he observed that while the recovery

<sup>14</sup> *Ibid.*

<sup>15</sup> Bernard's education at the Ecole Polytechnique is significant, not only in terms of the intellectual and technical training he received there but also for the contacts he was able to make. Graduates of the school (known as 'Les X') shared a common elite culture and formed informal and formal interest groups (such as the club 'X Crise', which brought graduates together in the early 1930s to discuss ways of reacting to the Depression). Most of the technocrats who came increasingly to dominate French business and government, especially after the 1940s, went to school at the Ecole Polytechnique. The acceptance of Bernard's ideas on the economic development of Indochina should be seen in the context of the growing influence of this modernizing old boy network. Graduates of the Ecole Polytechnique remain today in positions of considerable economic and political power in France.

<sup>16</sup> Bernard, *L'Indochine et la Crise* (Saigon, J. Aspar, 1932), pp. 157–8.

<sup>17</sup> Cf. his introduction to *L'Indochine et la Crise*.

of Indochina's economy had been completed on a superficial basis, fundamental improvements had not even been started.

Bernard was, of course, not the only one to rethink the fundamentals of colonial economic policy. Homberg, for example, blamed the crisis on American selfishness.<sup>18</sup> But Homberg's era was over. The Crash marked the rise of a new species of leader within the colonial lobby—the 'technocrat' who brought a scientist's training to the problems of colonization. Many of them educated, like Bernard, at the Ecole Polytechnique and imbued with modern ideas of economic management, the technocrats were shocked at the devastation caused in the colonies by the crash and sought in consequence to reform their administration. Giscard d'Estaing, for example, as Inspector of Finances compiled a report on French Africa in 1932, criticizing the inefficiency of resource exploitation, of credit and commercial practice, proposing the establishment of poles of development. Profitability was the keynote.<sup>19</sup> The idea, prematurely set forth by Sarraut in 1921, that the state should intervene to guarantee the profitability of exploitation by means of investment in public works also became more widely accepted. The French and Colonial Economic Conference of 1934 suggested the creation of a national fund for the public equipment of overseas France, equivalent to the British Colonial Development Fund (1929), which would pay for transport and other public works. The suggestion, however, was not heeded.

These modernist ideas did not, however, challenge the framework of relations between France and her colonies—an international division of labour whereby the colonies provided the raw materials and French industries transformed them into manufactured goods. Indeed, this system was reinforced after the Crash, which resulted in a drastic reduction of foreign trade. The empire was used as a safe market for French products, favouring the survival in France of the least modern sectors and preventing economic progress in the colonies.<sup>20</sup> As the Economic Conference put it, development in the colonies should be restricted to complementary activities, unlikely to compete against French companies.<sup>21</sup>

<sup>18</sup> O. Homberg, *SOS* (Paris, Grasset, 1932), p. 228.

<sup>19</sup> C. Coquéry-Vidrovitch, cf. Meynier, *Histoire de la France coloniale*, Section 3, p. 246.

<sup>20</sup> *Ibid.*, p. 245.

<sup>21</sup> *Ibid.*, p. 247.

The Great Depression crystallized a major contradiction in French economic thinking about the colonies. On the one hand, the social crisis both in France and Indochina underlined the need for structural reforms, to raise the level of colonial development. Economic development would enable Indochina better to respond to the demands of the French economy and would mitigate the popular unrest that since the Crash had preoccupied administrators in Indochina. On the other hand, a defensive reflex, a ‘retreat into the Empire’, was advocated to maintain the French monopoly of colonial trade and ensure that Indochina’s development was not prejudicial to France’s own.<sup>22</sup> It was not until the late 1930s that a significant body of opinion began to form around the idea that policy required substantial reorientation, particularly in the direction of colonial industrialization. Paul Bernard, with his calls for the industrialization of Indochina, was in the vanguard of this movement.

## II. Paul Bernard and the Industrialization of Indochina

Bernard set out his ideas on industrialization in two books published in the mid 1930s, and in a paper presented to the colonial lobby group, the Union Coloniale Française, in 1938.<sup>23</sup> He started from the assumption that the purpose of colonization is material, to make profits. Increased purchasing power in the empire would be a source of greater profit for France, so the colonial government should raise the living standards of the masses. The moral justification for colonial rule is in fact economic.<sup>24</sup> He used this yardstick to reassess the results of French rule over the past decades, and found them disappointing. Investment had neither generated profits nor raised living standards. He contended that the only companies able to make a profit since the Crash were those with a privilege or some other form of protection,<sup>25</sup> and that French and Vietnamese had worked for twenty years to feed a handful of usurers and pawnbrokers.<sup>26</sup>

<sup>22</sup> C. Coquéry-Vidrovitch, ‘Vichy et l’industrialisation aux colonies’, in *Revue d’Histoire de la 2e Guerre Mondiale*, April 1979, p. 72.

<sup>23</sup> Bernard, *Le problème économique indochinois* (Paris, Nouvelles Editions Latines, 1934); *Nouveaux aspects du problème économique indochinois* (Paris, Fernand Sorlot, 1937); *Les problèmes posés par le développement industriel de l’Indochine, rapport sur l’Indochine et le problème d’industrialisation, et réponses, Assemblée plénière (25.1.1938) de l’UCF* (Paris, A. Tournon, 1938).

<sup>24</sup> Bernard, *Le problème économique*, p. 187.

<sup>25</sup> *Ibid.*, p. 177.

<sup>26</sup> Bernard, *L’Indochine et la Crise*, p. 4.

Bernard noticed that in Indochina the Crash was essentially a rice-crisis. Dependence on rice exports and the fall in the international rice price had led to depression. This led him to a Keynesian solution to the problem, that future economic development should be based not on commodity exports, but on local markets. Depression could be avoided by creating an internal demand for goods, which had not existed up to now because of the poverty of Indochina's population. The question was how to increase purchasing power, to get people consuming, to get the economy moving. Bernard felt that the answer lay in the continued development of rice production and, above all, in industrialization.

His theory starts from the observation that development of rice farming is crucial because rice is fundamental to Indochina's food situation and is likely to remain her principal export. If the dangers of monoculture dependence can be avoided, it is a sound product, less subject to the vagaries of price fluctuations than commodities such as coffee, rubber and cocoa. But changes are necessary. To encourage grassroots savings and reduce debt, he proposes land reform, along the lines of that carried out by the Japanese in the 1890s, whereby the government bought out the large land owners and redistributed the land, avoiding both large and excessively small holdings.<sup>27</sup> To encourage the trade in rice, he proposes reforms in the marketing system, comparing it to Burma's as undercapitalized, underorganized, insufficiently speculative. To increase production, he proposes the extension of land under cultivation and the development of more intensive farming methods.

It is not sufficient just to raise agricultural output, however. This has already taken place over the half century up to 1930 without the desired results. Indochina's economic problem is in fact one not of food, but unemployment. The people are poor, not because their work doesn't give them enough to eat, but because they don't get enough work. Poverty is due to overpopulation. Bernard was not the first to underline the importance of the population problem faced by Vietnam's northern delta. Academics (Pierre Gourou, Charles Robequain, Grégoire Khérian), civil servants (René Robin, Jules Brévié) and fellow businessmen (René Bouvier) all identified a demographic crisis in books published in the 1930s and early 1940s, as did a number of investigative missions sent to Indochina by the French government at the time, notably the Guernut Commission.<sup>28</sup> They

<sup>27</sup> Bernard, *Le problème économique*, p. 240.

<sup>28</sup> The findings of this mission may be consulted at the AOM.

saw a crisis of alarming proportions; Bernard estimated the growth in population at 180,000 people per year. This growth, undermining the benefits of agricultural development, meant that other forms of work must be found.

Investment in non-agricultural activities must be appropriate to Indochina's low level of economic development. Bernard is highly critical of past French investment in Indochina, private capital rarely interested in more than a fast buck, public funds responding to the political imperatives of Doumer's policy. Of the latter he is scathing, describing them as megalomaniac programmes anticipating by decades the real needs of the country.<sup>29</sup> Transport networks simply do not pay; even the Trans-Indochina railway fails to justify the sums spent on its construction. In future, public funds should go to profitable projects, especially in agricultural waterworks. Even investment in this sector is open to criticism: while the administration may recoup by taxation some of its expenditure on the construction of Mekong delta canals, irrigation works in the northern plains are hopelessly unprofitable.<sup>30</sup> The point is illustrated by the example of a district in Thanh Hoa province, where agricultural improvements were followed by a direct increase in the population, the result being that the government could not hope to raise taxes.<sup>31</sup>

Money should instead be spent on arts and crafts and above all on industrialization. The two are complementary—industry should in particular not be allowed to suffocate the livelihood of Indochina's artisans. But artisans could not provide a sufficient solution to the problem of unemployment. The examples of the USA and Japan demonstrate that only industrial development can offer unlimited possibilities for employment.<sup>32</sup> And conditions for industrialization in Indochina are more favourable than in Japan: Indochina has reserves of coal, iron, and hydroelectric power, and the potential for cotton production in Cambodia.

The Crash, which demonstrated the fragility of world commodity markets, shows that this industrialization should not depend for its growth on exports. Bernard deplores the modern obsession with trade: 'In the past, we produced to consume, that is to live. Today,

<sup>29</sup> Bernard, *Le problème économique*, p. 178.

<sup>30</sup> Bernard, *Nouveaux aspects*, p. 23.

<sup>31</sup> Bernard, 'Niveau de vie de l'économie indochinoise et Mise en place du plan de modernisation', Indochina Sub-Commission, General Planning Commissariat, January 1948, page 13, note 1.

<sup>32</sup> Bernard, *Nouveaux aspects*, p. 79.

we produce to exchange. Trade is no longer a means, but an end'.<sup>33</sup> The basis of Indochina's economy must be its own market. The peasants should be able to buy the minimum of food, clothes and tools for a decent existence. Indochina should be allowed to develop an economy which is sufficiently complex to satisfy its own needs.

The point of industrialising Indochina is to equip the colony once and for all such that it can, alone, constitute *an independent economic entity*, able to produce everything necessary for its population to live and improve its lot. In short, we aim to turn this country, by means of its full industrial development, into a 'living body', having a 'harmonious equilibrium between the trunk and limbs', *a véritable second-metropole*, forming an economic unit more or less distinct from that of France.<sup>34</sup> (emphasis added)

Bernard conceives of 'independence' solely in economic terms, and stresses its foundation in French political sovereignty. He recognizes that this independence would change the nature of France's economic relationship with Indochina, but points out that French capital as a whole would benefit. Certain sectors would suffer, but others would take their place. In response to objections from the General Union of the Cotton Industry, he offers the example of India. Among exports from Britain, low grade goods had gradually given way to industrial equipment and luxury items, while industrialization in India had been financed by British capital. Capital exports had replaced the export of goods. The British had understood the inevitability of industrial development in India, and rather than opposing it, decided to finance it. He accuses the Cotton Union of exploitative politics and regressive economics:

Far from conceiving of colonial rule in terms of material aid to the protected countries, the Cotton Union sees it as a means of exploitation and the normal solution to the problems of metropolitan industries, whose precarious situation is a result of deeper causes than the contraction of the colonial market.<sup>35</sup>

Its members should invest in colonial cotton production rather than oppose it for the sake of tottering home industries.

By the late 1930s colonial business circles had largely accepted the prospect of industrialization in Indochina. At a meeting of the UCF's Indochina section in July 1937, Giscard d'Estaing defended Bernard's line; he was supported by du Vivier de Streel, an influential

<sup>33</sup> Bernard, *Les problèmes posés*, p. 15.

<sup>34</sup> *Ibid.*, quoted by Marseille, *Empire colonial*, p. 241.

<sup>35</sup> Bernard, *Les problèmes posés*, p. 86.

colonial businessman and fellow director of the SFFC, and Le Neveu, the UCF's director.<sup>36</sup> The following January, opposition from the cotton industry and French exporters did not prevent the UCF from endorsing Bernard's paper, 'Indochina and the problem of industrialization'.<sup>37</sup> In March, the Comité de l'Indochine, another colonial lobby group, described industrialization as 'one of the natural and necessary phases of the Indochinese economy's evolution'.<sup>38</sup>

*French Government Policy and the Industrialization Question*

It was, however, another matter to persuade the government. The 1934 Economic Conference had called for complementary industrialization in the colonies but its limited demands were ignored, and even the socialist Popular Front government of 1936 refused to promote the creation of industries. Although this administration appeared favourable to industrialization, Governor General Brévié noting in 1937 that Indochina's dependence on French products was unacceptable because her neighbours would soon develop their own competing industries, in the context of growing social unrest in Indochina its Minister for Colonies, Marius Moutet, declared that industrialization was sufficiently advanced; he preferred peasants and artisans to unruly workers.<sup>39</sup> Fears of a proletariat in the colony and of unemployment in France blocked industrialization.

Bernard dismissed these fears as absurd. He contended that Indochina's administration was riddled with contradictions: the education

<sup>36</sup> Marseille, *Empire colonial*, p. 255.

<sup>37</sup> Declaration adopted by the Indochina Section; Bernard, *Les problèmes posés*, appendix.

<sup>38</sup> CI. meeting of 3.3.38, resolutions; AOM, CFOM 475.

<sup>39</sup> The nature of the government's lip-service to Indochina's industrial development is clear in Jules Brévié's speech to the opening session of the Grand Council of Economic and Financial Interests, on 2.12.37. After advocating the creation by French industrialists of a 'relay' in Asia for metropolitan activities, drawing upon Indochina's abundant resources in coal, minerals, and other raw materials, as well as the potential of her labour, hydropower and moderate tax regime, he made the following statement: 'I know that these ideas are shared by Mr Marius Moutet, Minister of Colonies, who is not afraid of looking ahead to the full flourishing of Indochina's economic forces in harmonious relation—of course—with metropolitan interests. Indochina, commercial and industrial relay of France in the Far East, is the first stage in the evolution which must necessarily lead to the notion of second-metropole, notion which is justified amply by the strong personality of our great Pacific colony.' Cf. p. 61 of the speech. It would appear that the notion of 'second-metropole' enjoyed some currency among modernist economic commentators of the late 1930s.

of local elites and their exclusion from positions of responsibility; the failure to promote Franco-Vietnamese associations of interest; the obsession with security rather than production. In his view, Indochina's political security lay in a peaceful social order, which depended on economic progress. The provision of basic necessities for the mass of the population, the formation of a pro-French middle class—these were the ingredients of social and political stability. He rebuked those who worried about proletarianization, citing the case of Japan. He referred to an article in the review, *Nouveaux Cahiers*, explaining that 60% of Japanese industrial labour in 1930 was employed in workshops of fewer than 5 people. Workers stayed close to their fields; industrialization need not lead to a divorce between the individual and his traditional environment.<sup>40</sup> Countering worries about unemployment at home, he outlined the prospects for France of an industrial economy in Indochina. The best clients for a developed country are other developed countries.

Bernard did not limit his critique of the government to complaints about its obstructiveness. Industrialization in Indochina required the state's participation; its mere acquiescence was not sufficient. While admitting that in normal circumstances, state intervention in economic affairs was not desirable, he pointed out a number of specific justifications for its application in Indochina. The need to avoid speculative investment was high on his list; often private companies were only interested in expatriating their profits as fast as possible. Their directors usually lived far from Saigon, and were not interested in the future of the colony. So the state should intervene to direct economic activity in the general interest, though it should not get involved in its day-to-day running.

Bernard's thinking found an echo within the government in the person of Louis Mérat, director of economic services at the Ministry of Colonies. Mérat enigmatically defined this conception of state intervention not as command economics, but as the organization and control of freedom.<sup>41</sup> Bernard's advocacy of interventionism in Indochina's economy may in fact be seen as part of the wider French embrace of 'dirigisme', itself a reaction to the Crash and the condemnation of liberal economics this disaster represented. But despite the efforts of technocrats like Mérat, and the advocacy of industrialization by such influential figures as Alexandre Varenne, former

<sup>40</sup> *Nouveaux Cahiers*, 15.6.37; quoted in Bernard, *Les problèmes posés*, p. 29.

<sup>41</sup> L. Mérat, *L'heure de l'économie dirigée aux colonies* (Paris, Recueil Sirey, 1936).

Governor General, and Ernest Outrey, former deputy for Cochinchina, conservative thinking prevailed.<sup>42</sup> Not until Vichy did the government envisage intervening in favour of industrialization.

*The Planning of Industrialization under Vichy*

The establishment of Pétain's regime in June 1940 greatly boosted the influence of the technocrats in government. Socialist and authoritarian elements in Vichy favoured the central organization of production; a central committee of colonial professional groups was set up in December to coordinate economic interests in the empire. Incorporating the structures and personnel of the old lobby groups, and answerable to the Colonial Office, the central committee obliged all companies operating in the colonies to adhere to one of its organizational committees.<sup>43</sup> These bodies played an important role in the making of policy—though not in any implementation given the war's disruption of links with the empire. Industrialization was finally on the agenda.

Bernard was to play a key role in Vichy's industrial policy-making. After six months as an artillery officer on the front, he returned to Paris in July 1940 and was appointed president of the organizational committee for colonial industrial production (COPIC). In liaison with the Colonial Office, this committee was responsible for the planning of colonial industrialization. He described its work on Indochina in a 1942 report:

Since its creation, it has undertaken the preparation of a programme of installation of new industries in Indochina, chemical, fertiliser and metallurgical industries, and it envisaged sending a mission of experts there. This mission had to be postponed, and the committee for industry has used documentation available in France to draw up a coherent industrial programme. Able to supply most of the colony's needs over the coming decade. To complete this work, it has called on interested colonial firms as well as experts specialising in the new activities envisaged.<sup>44</sup>

The new industries were of two kinds: embargo industries, to produce supplies no longer available because of the war, and ten-year

<sup>42</sup> Speech by Ernest Outrey; AOM, CFOM 475.

<sup>43</sup> The lobby groups were the Union Colonial Français, Comité de l'Indochine, and Institut Colonial Français. A decree of 6.12.40 established the central committee and 6 organizational committees.

<sup>44</sup> Bernard, 'Dispositions à prendre pour limiter l'ingérence japonaise dans les affaires indochinoises', report, 1.6.42; AOM, AE 56.

plan industries. The latter would manufacture goods for local consumption and for export to France and other countries.<sup>45</sup> The war's severance of ties linking Indochina to France allowed Bernard to see that a clear break was made with prewar policies of imperial preference. The Colonial Under-Secretary confirmed this in 1941 stating that the plan should be conceived with each colony or federation considered as an autonomous organism, though in the circumstances of the Pacific War this was no more than the recognition of the status quo.

The key project in Indochina's plan was a hydroelectric power plant at Da Nhim waterfalls near Cam Ranh Bay, which would provide energy for a variety of chemical industries, including fertilizers and paper, and the manufacture of aluminium for export. A coal-fired power station in the north would fuel the processing of iron from a mine at Thai Nguyen. Mechanical maintenance and shipbuilding yards were also planned, as were fish processing industries and scientific research organizations.<sup>46</sup>

But Vichy did not ultimately share Bernard's ambitions for colonial development. The ten-year plan (1942–1952) provided only mediocre funding for the colonies, 84 billion francs,<sup>47</sup> or 11.6% of the whole; of this, 18% was for industry. Indochina's share was 3.5 billion francs,<sup>48</sup> of which 2.8 billion were earmarked for the power projects. The state would finance 64% of this spending. Worse still, the plan was not ratified; it fell foul of tensions between the technocrats and traditionalist elements in Vichy. Pétain's ideal of a society based on peasants and artisans triumphed over modernization.

The COPIC did not confine itself to plans for the future. Bernard's response to a telegram sent in 1942 by Admiral Decoux, the Governor General of Japanese-occupied Indochina, offers an insight into France's wartime relations with her distant Asian possession.<sup>49</sup> To Decoux's complaint about the stranglehold over the economy exercised by such corporations as Mitsui, Mitsubishi and Asahi, Bernard suggested limiting their interference by the creation of a company

<sup>45</sup> Rapport du Président du Comité Central à M le Secrétaire d'Etat aux Colonies, E. du Vivier de Streel, Paris, 6.12.42; AOM, AE 56.

<sup>46</sup> C. Manent (departmental head responsible for industry at the Colonial Office), 'L'équipement industriel de l'Indochine', in *Journal de la Marine Marchande*, 14.10.1943; AOM, AE 59.

<sup>47</sup> 1942 value.

<sup>48</sup> For energy, mining and industrial development, Coquéry-Vidrovitch, *Vichy et l'industrialisation aux colonies*, p. 90.

<sup>49</sup> Telegram of 9.5.42; AOM, AE 56.

to research and develop industrial projects with their collaboration. He rejected Decoux's idea of amalgamating local companies into a massive 50 million franc Indochinese corporation, preferring instead to link prestigious French firms to colonial ones in a more modest but broadbased 10 million franc company. The Research Company for the Industrial Equipment of Indochina,<sup>50</sup> was formed on 13 November 1942, backed by 40 Indochinese industrial and financial concerns and 9 leading French firms. According to Colonial Office directives, its main function was to act as a means by which to defend Indochina's resources from the Japanese, a weapon of economic warfare. However, the company had to be a part of France's economic apparatus, so as not to appear: 'as a riposte or as a desire to bow to Japanese initiatives, but as an attempt to carry out, according to a new formula based on the idea of cooperation, the economic equipment of our overseas possessions'.<sup>51</sup> It was, as a result, run by the COPIC, not by the Government General, and Bernard was appointed its chairman.

Collaboration was seen as the best means of defense. During 1943, the Research Company considered collaboration with Mitsui in the production of calcium carbide and calcium cyanamide fertilizer, and the possibility of creating a new salt production industry, projects already discussed by the COPIC. Neither of them got off the ground, although some negotiations were held with the Japanese. Bernard himself chaired the company's board meetings only four times before resigning on 7 October 1943 for 'health reasons'.<sup>52</sup> He had in fact the previous month taken over the leadership of l'Alliance, one of France's most efficient resistance organizations.<sup>53</sup>

#### *Bernard's Contribution to the French Resistance*

Since its foundation by Georges Loustanau-Lacau in October 1940, Bernard had been a member of l'Alliance, which was run by the British Intelligence Service and had links with Pétain's entourage.<sup>54</sup> Members of the group were encouraged to retain their civilian posts

<sup>50</sup> Société d'études pour l'équipement industriel de l'Indochine.

<sup>51</sup> Bernard to Minister of Colonies, Paris 5.6.42; AOM, AE 56.

<sup>52</sup> Bernard to Commissaire for COPIC, Paris 7.10.43; AOM, AE 54.

<sup>53</sup> H. Noguères, *Histoire de la Résistance en France de 1940 à 1945* (Paris, Laffont, 1967), vol. I, p. 142.

<sup>54</sup> Bernard's codename was Martinet.

as long as possible, and it was only as leader that Bernard was forced underground. The group claimed to have accepted money from Vichy until 1941.<sup>55</sup> It received information from both government and business sources: intelligence on air movements, for example, came from a director of Air France, Jean Laurent.<sup>56</sup> Bernard, a reserved man at the best of times, left few traces of his activities in l'Alliance, though he seems to have shared its founder's distrust of de Gaulle; it was only after his capture on 17 March 1944 and replacement by Jean Sainteny that l'Alliance rallied to the Free French.<sup>57</sup>

Bernard survived incarceration in Strasbourg and Berlin, apparently because the Gestapo suspected he had contacts with Ruhr industrialists seeking to negotiate an early peace in 1943–1944. His predecessor, Léon Faye, had been shot in Strasbourg. Bernard escaped during the Russian advance on Berlin, returning to Paris in June 1945.<sup>58</sup> He was awarded the Order of the British Empire for his war work. Promotion from Knight to Commander in the French Legion of Honour came in 1956.<sup>59</sup>

#### *French Economic Policy in Indochina in 1945*

Events in Indochina took a new turn during Bernard's imprisonment, with the Japanese coup d'état on 9 March 1945, overturning Decoux's administration. De Gaulle was quick to respond to the elimination of the French, announcing the end of the Indochinese Union, and his intention to set up a federation, comprising a strong federal authority controlled by Paris, but partially accountable to parliaments in each of five member states.<sup>60</sup> The Vietnamese were not satisfied with anything less than outright independence, however; Ho Chi Minh's August Revolution culminated in his declaration of independence on 2 September.

De Gaulle promised at the same time that pre-war economic policies would not be reproduced in the new colonial order:

<sup>55</sup> Dossier on l'Alliance, Institut de l'Histoire du Temps Présent.

<sup>56</sup> M. Meuleau, *Des Pionniers en Extrême-Orient. Histoire de la Banque de l'Indochine, 1875–1975* (Paris, Fayard, 1990), p. 423.

<sup>57</sup> Noguères, *Histoire de la Résistance*, vol. IV, p. 453.

<sup>58</sup> R. Hervey, *Une valeur humaine, Paul Bernard 1892–1960* (Paris, Editions France Empire, 1962). This book, written in his memory after his death, publishes Bernard's account of his capture and imprisonment.

<sup>59</sup> Bernard was made a Knight of the Legion of Honour in 1930.

<sup>60</sup> D. Hémery, 'Le projet indochinois de la France au lendemain de la Seconde Guerre mondiale', unpublished article, 1993.

The Indochina federation will enjoy economic autonomy within the French Union, allowing it to attain its full agricultural, industrial and commercial development and in particular to carry out the industrialisation which will equip it to confront its demographic situation.<sup>61</sup>

De Gaulle did not define the French Union. Though he rejected political self-determination, he did commit himself to Indochina's material development and economic independence.

*The Planning of Indochina's Industrialization, 1945–1948*

France's provisional government took over Vichy's economic programme, and Jean Monnet was asked to set up a General Planning Commissariat, responsible directly to the President for drawing up development plans. Vichy's personnel remained in place too: Bernard joined Monnet's team. He quickly prepared a working document on the industrialization of Indochina. Circulated in October 1945 to coincide with the creation of a Colonial Industrial Planning Commission, this plan served as the blueprint for a massive project designed to change the structure of Indochina's economy within a generation, while giving an economic foundation to French neo-colonialism.<sup>62</sup>

A decree of 3 January 1946 set out the planners' four general objectives: develop production and external trade, increase productivity, reduce unemployment, raise the people's living standard.<sup>63</sup> The Indochina Sub-Commission first met on 23 September 1946, a week after a Franco-Vietnamese modus vivendi was signed, signalling the apparent willingness of Ho Chi Minh to continue negotiations and cooperate on economic and financial matters.<sup>64</sup> Bernard chaired the Sub-Commission's industrialization section which convened a week later. The latter held nine meetings over five months, whereupon the plan was discussed and endorsed by the Indochina Economic Committee at Dalat.<sup>65</sup> It was published in January 1948 in the form of two documents written by Bernard, who was certainly

<sup>61</sup> De Gaulle's declaration of 24.3.45.

<sup>62</sup> Bernard, 'Plan d'équipement industriel de l'Indochine (programme décennal), October 1945'; AOM, INF, d1426.

<sup>63</sup> Bernard, 'L'Indochine et le Plan Monnet', *Bulletin de la Société Belge d'études et d'expansion*, Liège, March–April 1947; AOM, INF, c471, d4095.

<sup>64</sup> The modus vivendi was signed on 14.9.46.

<sup>65</sup> May and November 1947, May 1948.

the driving force behind the programme.<sup>66</sup> The French President ratified the plan on 18 September 1948.<sup>67</sup>

The plan reflects Bernard's increasing interest in Japanese economic methods. In Japan's experience, he found the answers to his two main preoccupations: the development of production, and the use of state intervention. Before the war, despite higher population growth, her income had increased at a much higher rate than Indochina's. This was due to the widespread use of fertilizers in agriculture and a shift in investment towards industry; 1930s farm yields were up 50% on the 1880s, and industrial production had increased tenfold over 20 years. Industrialization boosted auxiliary occupations like trade and transport, which made up 53% of Japan's income prewar, against only 13% in Indochina. And these achievements had been financed with the profits from Japanese production, as a result of close cooperation between the state and the big corporations.<sup>68</sup> The programme Bernard proposed was directly inspired by the Japanese model.

This programme, set out in the General Report on Indochina's First Modernization Plan, emphasizes that the modernization process should start in agriculture. New land will continue to be prepared, but the major waterworks<sup>69</sup> that were a feature of prewar land development policy will now take a back seat. But because clearing new land will not suffice to raise output, a fertilizer policy is necessary. This implies both industrialization, to produce the chemicals cheaply, and state subsidies to bring them to poorer farmers. Industrial production will be oriented towards the local market; exports are not ruled out, but the motor for economic growth will be internal. Bernard elevates the creation of a fertilizer industry to priority status: 'The creation of a fertiliser industry in Indochina really has the same character as agricultural waterworks, the same character of central government expense as the development of roads, railways and ports'.<sup>70</sup> He proposes building factories for the production of phosphates and nitrogenous fertilizers. Other chemical industries include sulphuric acid, soda, chlorine and glycerides.

<sup>66</sup> 'Rapport général sur le premier plan de modernisation et d'équipement de l'Indochine'; Bernard, 'Niveau de vie de l'économie indochinoise'; AOM, AgFOM, c903, d2666.

<sup>67</sup> Decree n. 48-1447.

<sup>68</sup> Bernard reckoned 90% of Japan's growth was internally financed.

<sup>69</sup> Notably irrigation, drainage and dike-building schemes for land improvement.

<sup>70</sup> Bernard, 'Rapport général', p.104.

While the manufacture of fertilizers is crucial for Indochina's agricultural development, the creation of a metallurgical industry has a more symbolic value; it represents the end of the colonial trade economy. Bernard asserts that the production of metal goods is indispensable to Indochina's economic independence.<sup>71</sup> He particularly favours aluminium, despite its direct threat to French industries, even to the extent of considering the import of bauxite from the Dutch Indies 'if it results in an intensification of trade between countries of the Pacific region'. An annual output of 10,000 tonnes of aluminium is scheduled, along with 100,000 tonnes of iron, 10,000 of steel, 10,000 of iron alloy.<sup>72</sup> He is less ambitious in his plans for textiles, another symbolic sector, given the home interest in the industry. An annual capacity of 30,000 tonnes is planned, no more than Indochina's imports for 1938.<sup>73</sup> This restraint, however, is more from anticipation of future Japanese competition than respect for the French cotton lobby.<sup>74</sup>

A key element in the programme is energy production. The hydroelectric power potential of the highlands of central Vietnam was no recent discovery. Considerable research had been carried out during the 1930s by a consortium formed in 1928. Bernard had long been aware of the work of this Company for the Study of Nitrogenous Fertilizers and the Da Nhim Waterfalls,<sup>75</sup> financed as it was by the SFFC and the Bank of Indochina. It had figured in the Vichy plan. The Da Nhim development attracted a lot of attention; both Governor General d'Argenlieu and the Finance Minister, René Pleven, attended the meeting of the Indochina sub-commission's energy section which endorsed this expensive project.<sup>76</sup>

The plan estimates the total cost of Indochina's ten-year modernization at one eleventh of that of France's four-year reconstruction plan: 3,198 million piasters.<sup>77</sup> It notes that this sum is already well beyond Indochina's means. The creation in 1946 of the FIDES, an investment fund for overseas economic and social development, and

<sup>71</sup> *Ibid.*, p. 109.

<sup>72</sup> *Ibid.*, pp. 110–11.

<sup>73</sup> ASI, 1943–6.

<sup>74</sup> 7th meeting of the industrialization section of the Indochina Sub-Commission, 9.12.46; report by Bernard, 'Niveau de vie souhaitable de l'économie japonaise en considération des intérêts de l'Indochine'; AOM, INF, d1426.

<sup>75</sup> Société d'Etudes des Engrais Azotés et de la chute de Danhim.

<sup>76</sup> Procès-verbal de la Conférence de la section Energie, 16.12.46; AOM, AgFOM, c903, d2667.

<sup>77</sup> 1939 value. Bernard, 'Rapport général', p. 132.

two years later of FIDIC, an investment fund for Indochina's economic development, indicates France's willingness to underwrite some of the expenditure.<sup>78</sup> But while Bernard accepts the principle of a French contribution, he balks at paying for the whole programme. He points out that Britain, whose economy is twice the size of France's, has a colonial investment fund only one seventh the size of France's proposed expenditure; he suggests setting a one billion franc limit on the French share in the cost.<sup>79</sup> In his discussion of sources for the rest of the money, he returns to Japan's industrialization, 90% self-financed. He also mentions the Russian system, in his view more an example of state capitalism than a truly socialist regime. In both cases, the local economy generated its own investment; the profits from production were spent on capital goods at the expense of salaries and consumption.

A precondition for the plan's success is therefore the use of interventionist techniques of economic management. France's contribution would pay for the initial setting up of industries, the profits from which would be redirected by the state into further development. Other forms of internal financing reinforce the importance of the state in Bernard's model: money printing, a savings policy and, most controversially, a 10% rice tax. Furthermore, *corvée* would be demanded as an alternative to taxation, and labour companies would be created for projects in areas of low population. Curiously, Bernard proposes the setting up of Russian-style collective enterprises: 'We must not hide from the fact that the new cooperatives, especially on newly cleared land, will look much more like Russian *kolkhozes* than French-style co-ops. This is not a good enough reason to refuse their creation'.<sup>80</sup> The industrialization programme would be coordinated by state-run regional development organizations. A national company for the industrial equipment of Indochina, envisaged in the 1945 working document,<sup>81</sup> and analogous to the research company set up under Vichy, does not appear in the final reports. The change in policy was a result of political difficulties in Indochina; in 1945 the Bank of Indochina observed that such an organization was

<sup>78</sup> Both the FIDES (Fonds d'investissement pour le développement économique de la France d'Outre-Mer) and the FIDIC (Fonds d'investissement pour le développement de l'Indochine) were managed by the CCFOM (Caisse centrale pour la France d'Outre-Mer), a government treasury body.

<sup>79</sup> Bernard, 'Niveau de vie de l'économie indochinoise', p. 32.

<sup>80</sup> *Ibid.*, p. 60.

<sup>81</sup> Bernard, 'Plan d'équipement industriel', pp. 16–17.

inappropriate to Indochina's political situation.<sup>82</sup> The new policy favoured regional companies which would liaise with a single government, while an all-Indochina company would have had to negotiate with five different ones, plus the federal authority.<sup>83</sup>

*Bernard's Conception of Indochina's Political Evolution*

This is one concession to politics in the plan. There are precious few others. Bernard makes a certain number of assumptions concerning the political evolution of Indochina, presented as fundamental conditions to the plan's realization. The first of these is the existence of a state in Indochina strong enough to manage the implementation of such a project:

The mobilisation of sizeable resources, of which most will be provided by the state and the metropole, necessitates highly centralised economic management and planning all the more detailed for the fact that the privations and sufferings of the past few years will tend to divert available resources from the required investment into consumption. That means that the federal government, while leaving the largest degree of political autonomy to the federated states, should retain a firm hold on the vital elements of the plan, and in particular, on public works, mines, power and credit. This is the very condition for the plan's success and the reconstruction of Indochina.<sup>84</sup>

This does not necessarily imply direct French government, rather the contrary. A local administration is preferable, especially for the implementation of unpopular policies such as the labour levies:

It is important that these levies remain within the local sphere, if we want to avoid their being regarded as an intolerable abuse of power. The new political structures which must prevail in Indochina will allow precisely the

<sup>82</sup> The National company for the industrial equipment of Indochina was to be both a research company and a coordinating body, and would manage the development of the Da Nhim power plant. The Bank's opposition may be related to its own interest in developing the plant, given its stake in the Company for Research into Nitrogenous Fertilizers and the Da Nhim Waterfalls. Cf. 'Note sur le projet d'une Compagnie nationale pour l'équipement de l'Indochine', BIC, d. Histoire de l'Extrême-Orient. For access to BIC documents, I am grateful to Marc Meuleau at the Banque Indosuez in Paris.

<sup>83</sup> Bernard, 'Niveau de vie de l'économie indochinoise', p. 61.

<sup>84</sup> Bernard quotes Jean Bourgoin's letter of 25.4.47; Bourgoin was a technocrat, President of the Indochina Sub-Commission in 1946 and Counsellor for the Plan in Saigon from 1947; Bernard, 'Rapport général', p. 135.

use of such a system of labour requisition, without requiring any French involvement.<sup>85</sup>

The lack of political realism in Bernard's thinking on this matter comes over in a meeting of the Overseas Territories Equipment and Modernisation Commission, during which he defends the rice tax proposed for the plan's financing. The minutes relate how Tran Van Kha mentions:

the political and psychological aspect of the problem. He fears that, owing to the discontent this tax is bound to provoke among the people, no Vietnamese government would agree to its implementation, especially in the acute crisis that Indochina is currently undergoing, in which party rivalry is extremely heated. He points out that a similar rice tax proposal to that put forward by Mr Paul Bernard was presented, about 14 months ago, to the Council of Cochinchina of which he is a member, where it caused a general uproar.

We have to conclude that Bernard was out of touch with events in Saigon, if he was ignorant of this reaction. His response to objections to these propositions was curt: 'They would clearly prefer never to pay taxes and never to work'.<sup>86</sup>

The other essential condition for the realization of the plan is a guarantee for French interests. If France is to sacrifice such large sums to further the development of her colony, political guarantees are indispensable:

France should obtain positive, long-term assurances concerning the security of property and personnel, the safeguarding of French material interests, the maintenance of liberal and non-discriminatory fiscal policies, the establishment of a fully stable currency. These guarantees should be armed with means of verification and control, under the supervision of general organisations of the French Union, which would possess counterparts in Indochina, acting as a relay in matters of public works, justice, customs and military concerns.<sup>87</sup>

Bernard is not prepared to consider independence; he still believes in the Indochina Federation and a new, albeit reduced, French colonial presence there, if only because the economic commitment he proposes requires political backing. In the final paragraph of the report on the plan he presents his conception of independence:

<sup>85</sup> Bernard, 'Niveau de vie de l'économie indochinoise', p. 135.

<sup>86</sup> Plenary meeting minutes, 12.2.48; Bernard, 'Niveau de vie de l'économie indochinoise', appendix p. 4.

<sup>87</sup> Bernard, 'Niveau de vie de l'économie indochinoise', p. 56.

The recognition and affirmation of diplomatic independence does not imply ipso facto the achievement of prosperity. It does not even ensure independence in its deeper sense, that is the ability for everyone to think and act in freedom, without any material or moral constraint. Independence in words is but a change of master. Real independence can only be a progressive liberation. It is obtained only as a result of effort.<sup>88</sup>

### III. Paul Bernard and Negotiations over the Political Future of Indochina

Bernard followed the negotiations over Indochina's political future closely and with growing concern. On 6 March 1946, the French signed a preliminary agreement with Ho Chi Minh, and recognized Vietnam as 'a Free State having its own government, parliament, army and treasury, belonging to the Indochinese Federation and to the French Union'.<sup>89</sup> Talks followed with representatives of this government, at Dalat and Fontainebleau, during which two conceptions of the Indochina Federation emerged within the French administration. Laurentie, director of Political Affairs in the Ministry of French Overseas Territories<sup>90</sup> defined them as follows: 'Either the formation of a strongly built federation in which France has complete control, or the creation of a more flexible specifically economic and financial union, in which France will act as regulator and amiable composer'.<sup>91</sup> During the preparatory discussions to the first Dalat conference, Jean Bourgoin, chairman of its economic and financial committee, took the position that the Federation should be 'essentially economic'.<sup>92</sup> His position, shared by Bernard, may be regarded as the minimum the French were prepared to accept. D'Argenlieu took the opposite view. Both agreed that the federal authority, whatever its role, should be under firm French control.<sup>93</sup>

But the Vietnamese wanted independence in both economic and political terms. While their delegation at Dalat welcomed the offer

<sup>88</sup> *Ibid.*, p. 63.

<sup>89</sup> Text in Notes Documentaires et Etudes, n. 548.

<sup>90</sup> Formerly the Ministry of Colonies.

<sup>91</sup> Note, 27.6.46; MEA, Asie 44-55, Indochine 68.

<sup>92</sup> Significantly, Jean Bourgoin was educated, like Bernard, at the Ecole Polytechnique, in Paris. Cf. n. 15.

<sup>93</sup> Compte rendu des plénières de la délégation française, 26.4.46, 11.5.46; AOM, CP, d273.

of Bernard's development plan, they could not agree to the conditions attached, which included French control over customs, money supply and business regulation. Talks ended abruptly after attacks on the French in Hanoi on 19 December 1946. Ho Chi Minh abandoned the city. The ensuing war precluded further negotiation between his government and the French. D'Argenlieu returned to Paris and a new Governor General, Emile Bollaert, was appointed to negotiate a local but pro-French government in Vietnam based on a monarchist constitution. In a speech at Ha Dong on 10 September 1947, Bollaert made no mention of Federation, calling instead for a form of French-sponsored coordination between the constituent states of Indochina. A year later he signed the Ha Long Bay Agreement with the Vietnamese emperor Bao Dai, according to which:

France solemnly recognises the independence of Vietnam. Vietnam will achieve its unification. Vietnam proclaims its adhesion to the French Union as an Associated State. The independence of Vietnam has no other limit than that imposed by its membership of the French Union.<sup>94</sup>

The French Union, however, was still not defined. Describing the process of negotiation with Bao Dai, after French President Vincent Auriol made further concessions in the Elysée Agreement of 8 March 1949, Bernard complained: 'We started from an internal and partial independence, and we have arrived at an independence just about complete'.<sup>95</sup>

#### *The Weakness of French Negotiating Strategy*

Bernard expressed his disappointment in the talks in an article published in late 1949.<sup>96</sup> In his opinion, France needed a presence in Indochina for reasons of international prestige and economic security. She should retain economic and military rights over the Associated States of Vietnam, Laos and Cambodia. Their economies should be subject to the disciplines of the French Union, written guarantees for foreign investors should be provided and the Expeditionary Force

<sup>94</sup> 5.6.48. Text in *Journal Officiel*, 14.3.53.

<sup>95</sup> Bernard, 'Les accords du 8 mars dans l'application', in *France Outre-Mer*, n. 243, December 1949, p. 3.

<sup>96</sup> *Ibid.*

should maintain bases in Vietnam, to fight communism and protect French interests. The advantages of such a strategy were clear from the American withdrawal from the Philippines: a military treaty allowed US forces to maintain bases for a further 99 years and an economic agreement instituted an 8-year customs union and a 20-year trade preference regime.<sup>97</sup> The agreement also linked the Philippine peso to the dollar and allowed US citizens full rights over the archipelago's resources.

Instead of following the American example, the French had been gradually and unconditionally giving away her positions in Indochina. Bernard wrote in 1949 that the Elysée Agreement should be considered as the absolute limit of French concessions and not, as some Vietnamese saw it, the starting point for further talks. Bernard's warnings were ignored, however, and at the Conference of Pau in 1950 the French conceded so much that he concluded that the Associated States were in effect fully independent. Letourneau, Minister for French Overseas Territories, explained that:

Each State will now possess its national treasury, each State will now be sole master of its finances, customs and external trade, and by virtue of the control it will take over the Plan, each State will decide the future orientation of its economy.

Whether in regard to technical aid, or the offer of bureaucratic, military, economic or financial assistance, the French Republic, for its part, intends to grant everything within its means the Associated States may demand.<sup>98</sup>

Under the heading, 'The art of giving much and receiving nothing', Bernard remarked caustically:

These declarations are certainly generous, as they offer the Associated States membership of the French Union, for the sole purpose of receiving aid, without claiming anything from them in return, notably as regards guarantees for the material interests we possess there.<sup>99</sup>

He went on to attempt a comparison of the concessions made at Pau with the situation in China, where the communists' victory had forced the flight of European capital:

However, by accepting possible restrictions on exchange within the French Union, by losing effective influence over money issue, by allowing the establishment of an interventionist prices policy on imports and exports, we have handed over to the Associated States all the weapons which they could if

<sup>97</sup> Signed on 14.3.47 and 2.1.47 respectively.

<sup>98</sup> Bernard, 'Bilan de la conférence de Pau', *Documents de France Outre-Mer*, Supplement to No. 256, January 1951, pp. 2–3.

<sup>99</sup> *Ibid.*

they wished use to ensure the ruin of French companies, and provoke their departure, without needing to harass our compatriots in the least. This exactly what has happened to European interests in China. The precedent is well established, the methods of implementation tried and tested.<sup>100</sup>

Bernard, who neglects to discuss the hostilities with the Viet Minh, China's recent intervention in the war and the increasing pressure on Paris from the US, felt that France was losing her position in the Far East as a result of poor diplomacy. It would appear that—as a former army captain living in Paris—he thought that military matters should be left to the military, and preferred to concentrate his analysis on the business of negotiating a viable state which would ensure the security of French interests once the war was won. To do this, he suggested the adoption of a new strategy of negotiation. France should either demand the right of veto over French Union matters in the Associated States' policy-making bodies, or renounce membership of these bodies, in which case mechanisms for economic management must be set out in advance. The government had in fact chosen a 'bastard solution'. French representatives remained, but enjoyed only peripheral status, rather like a 'poor relation'. At the same time, no rules had been fixed. Arrangements for the management of money issue, currency exchange and foreign trade remained vague and contradictory. France lost on both counts and, if the situation could not be rectified, should abandon the negotiations and start again.

#### *The Weakness of the French Union*

This failure to come up with an effective negotiating strategy was not in itself the reason for France's weakness. The root of the problem was that 'Since Liberation, successive governments have been unable to define clearly the political and economic meaning of French Union membership'.<sup>101</sup> The role of the French Union's institutions was ill-defined, it had no clear economic doctrine, and its coordinating body, the High Council, had met only once. The fault lay not with France's negotiators, but with her leaders. Rather than decide on their interests in Indochina, the politicians preferred to sign ambiguous agreements, hoping to turn their interpretation to

<sup>100</sup> *Ibid.*

<sup>101</sup> *Ibid.*

good purpose during technical committee sessions. 'At no time', wrote Bernard, 'have we defined the positions beyond which the military and material effort we are making in Vietnam may seem absurd and even criminal'.<sup>102</sup> He criticized administrators such as Léon Pignon, who in his justification of the Elysée concessions admitted that the government had not fixed a bottom line to its calculations:

There are those who consider that our concessions would be justified only if peace were obtained in exchange; that in any case these concessions should be brought up only once order is restored. One might as well imagine the problem already resolved, a procedure which works in maths but not in politics.<sup>103</sup>

The result of this policy was a gradual slide towards Vietnam's abandonment, Bernard complained. It is not clear whether he thought a bottom line should be placed on France's concessions and was prepared for the colony's abandonment in the event of its rejection, or whether this was simply a rhetorical device. What Bernard failed to understand, however, was that France was losing Indochina as a result not of negotiations but of war.

#### *The Security of Business Interests in Vietnam*

Bernard's interest in the negotiations did not merely reflect his concern for the success of the plan for Indochina's modernization. Indeed, by 1949, he was aware that this plan would never be carried out:

We, and the Associated States with us, have missed the opportunity to carry out a great constructive work in the economic and social spheres which would have been spawned by French capital and initiative. It is in fact doubtful that the latter will find in the joint commissions the guarantees they need to work successfully.<sup>104</sup>

He needed these guarantees for his own investments too. The SFFC's headquarters had moved to Vichy during the war and its operations in Indochina had functioned as best they could, but many of its subsidiaries suffered considerably as a result of the events of 1945. Bernard was chairman of the Société des Papeteries de l'Indochine,

<sup>102</sup> Bernard, 'Les accords du 8 mars', p. 2.

<sup>103</sup> Bernard quotes Pignon's speech of 8.3.49. *Ibid.*, p. 3.

<sup>104</sup> Bernard, 'Les accords du 8 mars', p. 4.

whose factory had been destroyed during hostilities, and the Société nouvelle des Phosphates du Tonkin, whose premises were now inaccessible. Other SFFC companies under his management included the Société indochinoise des Cultures tropicales and the Société des Caoutchoucs d'Extrême Orient, both of which were hard hit in 1945; plantations were paralysed after the Japanese coup d'état, deserted by their workers and subject to acts of terrorism. The continuing war made their operations both costly and dangerous.

This damage explains Bernard's particular care over guarantees for French interests. The government's failure to secure them forced him to ask what it thought it was defending in Indochina. He was aware that some Southeast Asian leaders gave a higher priority to political independence than to economic development, and quoted a delegate to a conference of Southeast Asian leaders at Lucknow, who declared: 'Our national pride is more important than economic progress'.<sup>105</sup> But if that was the attitude of the Vietnamese authorities, he accused Paris of disregard for French businesses and individuals who, having invested in French Indochina, were now being invited to obey the new states' laws, when the same laws were designed to eliminate them. And of lunacy, if at the same time French military and financial resources were being committed to fight for the sole benefit of these new states.<sup>106</sup> Again, it is not clear whether Bernard felt that the French policy of pursuing the war with the Viet Minh on behalf of the Associated States really was lunatic, or whether this was just a provocative device. Before the French defeat at Dien Bien Phu in 1954, at any rate, he did not directly address the problem of the war or of Ho Chi Minh's fight for national independence.

In the absence of guarantees he shifted the focus of SFFC operations, initially southwards to Saigon and then, away from Vietnam altogether. In this, Bernard was typical of French business as a whole, especially during the 1950s. The decolonization of French capital from Vietnam was rapid and voluntary, and contrasts starkly with the process of military withdrawal, which took place only after Dien Bien Phu. By 1953 only 23% of the value of the SFFC's dealings were in Indochina, 42.5% were in Africa and 34.5% in France. Much of the African expansion was handled by one of its subsidiaries, of which Bernard was chairman, the Trans-African Financial Com-

<sup>105</sup> Lucknow Conference, October 1950. Bernard, 'Bilan de la conférence de Pau',

p. 4.  
<sup>106</sup> *Ibid.*

pany.<sup>107</sup> Before its merger in 1951 with the *Crédit Marocain*, this company capitalized a number of important businesses in Africa and France; among them was the Intercontinental Air Transport Company (TAI).<sup>108</sup>

*The Intercontinental Air Transport Company*

Bernard's creation of this airline in 1946 was the fulfilment of a long nurtured ambition. As a young man he had been fascinated by flying, and already in 1938 he had foreseen its commercial potential: 'We can imagine that the development of private aviation will in coming years become a new form of activity justifying the investment of unoccupied capital, equipment and labour'.<sup>109</sup>

He set up the TAI in Casablanca on 1 June 1946 and operations got under way a month later.<sup>110</sup> He contributed the capital; his partner, Colonel Paul Génain, formerly chairman of a colonial flying service, brought the technical know-how.<sup>111</sup> Bernard regarded the venture as his greatest gamble. In postwar France, equipment was lacking and the company was initially forbidden to purchase foreign-made planes; it was the era of nationalizations, and contracts could be overturned on a whim of policy. But the TAI's reputation as one of France's two foremost private airlines was quickly confirmed: in 1947 it offered services to Saigon, Johannesburg, Dakar and Tananarive in Madagascar, as well as London and North Africa, and flew 2.7 million tonnes-kilometres of cargo. By 1955, this figure had grown to 35.5 million. The TAI's capital grew from 20 million francs in 1946, to 984 million in 1958. It was the first airline in the world to provide an inflight cinema service to its customers.<sup>112</sup>

Bernard was anxious to preserve the airline's independence of government control. He accepted no subsidies. For 7 years, he resisted attempts by Air France to negotiate a cartel agreement. An accord was finally signed in 1955 with the national airline and a private

<sup>107</sup> Société financière Transafricaine, set up in Casablanca on 28.11.1941.

<sup>108</sup> Compagnie des Transports Aériens Intercontinentaux. Boudet, *Le monde des affaires*.

<sup>109</sup> Bernard, *Les problèmes posés*, p. 16.

<sup>110</sup> The TAI was later registered at the SFFC's address in Paris.

<sup>111</sup> Génain ran the Régie Air Afrique in the late 1930s. Information on the TAI is from the airline's own archives, for which I am grateful to the Documentation Service at Air France.

<sup>112</sup> According to its own advertising.

company, UAT, by which no more than two French carriers would compete on any route. Further cooperation led the TAI and Air France to announce France's first round-the-world route just months before Bernard's death in 1960; Air France flew Paris to Los Angeles, and the TAI did the rest. After 1960 closer cartel arrangements were made, which led ultimately to the company's merger with Air France.

Bernard clearly felt great affection for the airline, even arranging for a memorial service to be held in his honour in the giant TAI hangar at Orly.<sup>113</sup> But this by no means detracted from his commitment to the SFFC, of which he was appointed vice-chairman in 1954. He presided, with Giscard d'Estaing, over the group's expansion from 26 million francs in 1935, to 50 million in 1944, the date of its return to Paris from Vichy, and 155 million in 1949. At this time the SFFC's board decided to modernize its name; it now became the SOFFO.<sup>114</sup> Giscard d'Estaing meanwhile arranged for its Paris address to be renamed after his adopted ancestor: no longer at 23 rue Nitot, the SOFFO was and still is registered at 23 rue de l'amiral d'Estaing.<sup>115</sup>

In addition to his business activities, Bernard found time to contribute to two highly influential economic institutions, the National Council for French Employers (CNPFF),<sup>116</sup> a leading directors' association, and the Economic and Social Council (Economic Council), a government advisory body.<sup>117</sup> He created and chaired the CNPFF's Overseas Committee; he sat on the Economic Council's committees for the study of industrial production and the French Union. These positions allowed him to develop his ideas on the French economy, not just in its relations with Vietnam but with the French Union as a whole, and in its response to the challenges of the European Common market. His thinking over this period is interesting both in its critique of French decolonization, and in the gradual shift it presents, away from the values of state intervention for which Bernard had argued since the 1930s, and from the French Union as the most important field of investment for French capital. By 1960 Bernard, drawing lessons from Vietnam, had become disillusioned with the advantages offered to French business by the former empire.

<sup>113</sup> It took place there on 23.9.60. Hervey, *Une valeur humaine*.

<sup>114</sup> Société Financière pour la France et les pays d'Outre-mer.

<sup>115</sup> Bruno Pol, *La saga des Giscard* (Paris, Editions Ramsay, 1980).

<sup>116</sup> Conseil National du Patronat Français.

<sup>117</sup> Conseil Economique et Social.

#### IV. Paul Bernard and the Debate over Decolonization

Already doubtful about the benefits of a French presence in Vietnam during the last years of the war, given the excessive concessions made to Saigon, the defeat at Dien Bien Phu convinced Bernard that colonial rule had had its day. In a report for the CNPF in 1955, he admitted:

An imperial conception of the France-Overseas Territories bloc is now a dream of the past. It is impossible to imagine that we can impose, on all the territories over which we have assumed responsibilities, the full and unchallenged supremacy of the government of the Republic, embodied in the latter's President.<sup>118</sup>

Independence, he said, was the only solution acceptable to the people of France. The other possibilities—integration into the French nation, or into a federation in which Paris had no leading role—laid France open to the risk of colonization by her overseas territories. This was a common fear in right-wing circles at the time, to which Bernard gave an economic expression: assimilation of the overseas territories into France would be costly, as well as politically undesirable. France would offer large amounts of aid, receiving little in return. Her own development would suffer. Independence was therefore inevitable, and the main thing was to prevent anarchy and the influence of totalitarian powers. The process of granting it should allow France to maintain a degree of influence in the ex-colonies, after the departure of formal ties of political domination.

Bernard suggested that the overseas territories, like Britain's former colonies, should be united in a commonwealth in which economic links would play a vital role. But these links, which would constitute a form of neo-imperialism, should be defined in advance of independence, not afterwards.<sup>119</sup> The decolonization of Vietnam, Cambodia and Laos had failed on this point. Economic agreements

<sup>118</sup> Report to the CNPF's French Union Study and Liaison Committee, 22.4.55; Hervey, *Une valeur humaine*, p. 145.

<sup>119</sup> Edmond Giscard d'Estaing also made reference to the necessity of forging economic links prior to independence. On 8.7.53 he wrote: 'il faudrait que la limitation de l'indépendance des États associés soit instituée au moment même où cette indépendance serait accordée; que l'on se mette d'accord sur un statut, que des garanties de bases, de ports, de zones franches soient assurées par traité. Il est vraisemblable qu'ensuite, la politique française au Maroc et en Tunisie s'alignera plus ou moins sur celle qui sera suivie en Indochine'; quoted in Marseille, *Empire colonial*, pp. 360–1.

had been concluded after the signature of the Geneva agreement, not before, and were in consequence little respected. As Bernard related in a 1960 report to the Economic Council, withdrawal from other colonies in the 1950s followed a similar pattern. In Tunisia, economic agreements were signed after the granting of internal autonomy, only to be overturned months later on the granting of independence. In Morocco, the formula 'independence in interdependence' was created but never defined, and economic conventions negotiated after independence fell foul of political conflicts. In Guinea, decolonization took place overnight as a sort of revenge for a negative vote in the 1958 constitutional referendum, officials were repatriated before replacements were found and trained, and French companies were suddenly operating in a power vacuum.<sup>120</sup>

Bernard explained that France had been sidetracked into giving a higher priority to her national pride than to economic development:

In the substitution of one regime by another, we have seemed more attached to satisfactions of prestige or psychology than to the safeguarding of our material interests. In a country over which we renounce sovereignty, political positions are voluntarily abandoned. We should, on the other hand, try to conserve cultural positions . . . But also, and above all, it is necessary to maintain economic positions, that is to ensure the continuation of our compatriots' companies operating there, and trading privileges with France.<sup>121</sup>

The sorry tale of France's failure to maintain her economic influence in the overseas territories contrasted with British policy in India, Pakistan, Gold Coast and Nigeria, where decolonization was preceded by consultations with local representatives and a process of definition of future economic relations. Looking back over their respective experiences of decolonization, Bernard did not play down his respect for British methods: 'It is only when the new economic structures are judged capable of taking over from the old, that Great Britain withdrew politically from the scene. Thanks to this preparation, British economic positions have been largely preserved'.<sup>122</sup>

The commonwealth Bernard proposed, which he named the Union of Free and Sovereign Peoples, drew inspiration from the British

<sup>120</sup> Bernard, 'La revision des structures de la zone franc', report presented to the Economic Council's Exterior Economic Expansion Section, session of 10–11.2.1960; *Journal Officiel*, No. 6, 29.3.60, pp. 270–86.

<sup>121</sup> Rapport du conseil d'administration à l'assemblée générale de la SOFFO; quoted in Hervey, *Une valeur humaine*, p. 65.

<sup>122</sup> Bernard, 'La revision des structures de la zone franc', p. 280.

example. His model differed considerably from the French Union, defining clearly the rights and obligations of its citizens, and the principles of its economic doctrine, drawn up to regulate the circulation of goods and money within the union.<sup>123</sup> This last function had in fact already been provided by the franc zone, regarded in the mid 1950s as the natural economic successor to the increasingly discredited French Union.<sup>124</sup>

### *The Franc Zone*

Bernard, who was a member of a commission set up in 1956 by the Economic Council to study the franc zone, concluded that the succession had been a failure. The zone was irrelevant, expensive and badly managed.<sup>125</sup>

The franc zone was essentially a system of interventionist economics designed to further French economic domination. Bernard felt that it was relevant neither to France's needs nor to those of her former colonies. The proof of its inadequacy for the ex-colonies was the fact that, while in 1960 the zone's bureaucracy in Paris was still functioning, its policies were not. Vietnam already had much stronger ties with the US dollar, and Bernard notes that:

Strictly speaking, the former Associated States of Indochina, Tunisia, Morocco and Guinea have withdrawn from the franc zone. The basic rules which defined this monetary zone's functioning from the start—centralisation of money issue operations and credit control, monetary union or fixed parity with the franc—have been practically abolished. The franc zone in these circumstances seems no more than a euphemism, offering certain satisfactions of prestige and masking disagreeable realities.<sup>126</sup>

The zone was above all expensive. Since independence, the ex-colonies managed their own internal economic affairs, but remained a part of this centralized system. This forced the French taxpayer to pay for ex-colonies' mistakes. Bernard pointed out:

<sup>123</sup> Rapport au Comité d'Études et de Liaison du Patronat de l'Union Française, 22.4.55; Hervey, *Une Valeur humaine*, p. 145.

<sup>124</sup> 'A l'Union Française rêvée par les constituants de 1946, où l'accent était mis sur l'aspect politique, doit donc succéder une "zone franc" de caractère exclusivement économique'; G. Georges-Picot, 'De l'Union française à la zone franc', *France Outre-Mer*, 1958, No. 341, pp. 16–17.

<sup>125</sup> Bernard, 'La revision des structures de la zone franc'.

<sup>126</sup> *Ibid.*

a sort of contradiction in conferring on local authorities certain economic powers which could be highly inflationary, budgetary powers, powers to decide prices and wages policy, powers to levy import duties—and all these powers have now been transferred to local authorities in the overseas territories; there seems to be a contradiction between these inflationary powers and the fact that the centralization of all monetary operations and credit remain in the hands of the central authorities. As a result, if the territories budgets are poorly managed or if economy passes through an unfavourable period, our refusal to consider any change in the exchange rate, forces us into choosing between imposing exchange controls or asking the French Treasury to finance the deficits on an ongoing basis.<sup>127</sup>

France continued to pour money into these economies, simply to maintain the existence of the franc zone. But her pretensions to empire were out of proportion to her means. France could not afford the role of imperial paymaster. Bernard was not alone in saying this. By the mid-1950s, a number of civil servants and business figures were putting forward similar ideas, known as Cartierism, after Raymond Cartier, the *Paris-Match* journalist instrumental in popularizing them in 1956. It is surely no coincidence that Pierre Moussa, who wrote an influential book on the high cost of the colonies in 1957, was closely associated with Bernard at the TAI.<sup>128</sup>

Bernard again criticized the priority the government gave to political prestige, which generates few profits, at the expense of the interests of French companies still trading in the former colonies. Business could only be pursued in an atmosphere of economic liberalism. The time had come, he wrote in 1960, to rethink the foundation of the franc zone. Centralized mechanisms of economic domination should give way to links offering benefits to all sides. He was reworking the ideas of French-Vietnamese associations of interest he had put forward in the 1930s. If both France and her former colonies saw their interest furthered by the franc zone, they would need no persuasion to keep to its tenets. Economic relations would hold together of their own accord. No text links the Commonwealth states to Britain, he wrote, but 'because British policy is wise and inspired by liberal ideas, the newly independent states manage their affairs according to the same rules without it appearing necessary

<sup>127</sup> *Ibid.* Procès-verbal de la séance du 5 décembre 1957 de la commission commune chargée des problèmes de la zone franc du Conseil économique.

<sup>128</sup> TAI archives. Moussa, director of economic affairs and planning at the Ministry for French Overseas Territories, wrote *Les chances économiques de la communauté franco-africaine* (Paris, Colin, 1957). François Bloch-Lainé, also a civil servant, put over the same message in his book, *La zone franc* (Paris, 1956).

to confirm them by means of agreements'.<sup>129</sup> He was highly impressed by the example of the sterling zone, which since 1931 had operated as a sort of club, which members choose to join, pooling their resources and leaving them under the overall control of the British.

He saved his most scathing criticism, however, for France's management of her own economic policy. He observed that centralized conception of the franc zone could only be justified if the French government gave an impeccable example of financial management. But this had not been the case. Since 1944, France had carried out seven devaluations, had disguised devaluations by means of import tax and export subsidy, had maintained multiple exchange rates, and had used quota restrictions and other controls to hinder free exchange. In the light of this, Bernard was forced to conclude: 'Unfortunately we cannot but agree with those who suggest that the franc zone's history over the last 15 years has been very melancholic and even rather pitiful'.<sup>130</sup> He went on to criticize the evolution of Franco-Vietnamese monetary relations. Resenting post-1954 South Vietnam's assertion of its economic independence, he felt that it had been allowed to achieve too much control over its economy. He described the situation in 1960 as follows:

While French positions have been maintained, apart from in North Vietnam, companies' operations, though satisfactory in sectors other than trade, have been obstructed by the ultra-interventionist nature of the economy, especially in monetary affairs.<sup>131</sup>

His analysis of France's monetary relations with South Vietnam is worth examining, illustrative as it is of the absurd contradictions in French policy, the ex-colony's refusal to toe the franc zone line, and the difficulties of running a neo-imperialist economic system in the absence of political and military power.

#### *Franco-Vietnamese Monetary Relations*

From December 1945, the exchange rate of the piaster was fixed at the unrealistically high level of 17 francs.<sup>132</sup> As a result, France

<sup>129</sup> Bernard, 'La revision des structures de la zone franc', p. 280.

<sup>130</sup> *Ibid.*

<sup>131</sup> *Ibid.*, p. 273.

<sup>132</sup> The free market price in the late 1940s was 8–10 francs.

overpaid the costs of the war in Indochina by several billion francs annually, exchange controls were introduced to limit repatriation of currency from Vietnam, and speculative trafficking in piasters threatened to undermine the monetary basis of the Vietnamese economy. In the face of considerable opposition, Paris finally devalued the piaster, on 11 May 1953, to 10 francs; objections rested principally on the contention that France had assured Saigon that the piaster would be maintained high, and that she should not break her word.<sup>133</sup>

According to the 1954 agreement, the franc–piaster parity could be modified on mutual agreement, and Saigon promised not to restrict goods or currency exchange with France. But when its francs were used up, three months later, Ngo Dinh Diem's government imposed quotas on imports, a limitation on currency transfers and a ban on the repatriation of profits. The result was eighteen months of asphyxiation for French companies. A quota-limited system of currency transfer was then set up to ease the situation, but the piaster was fixed artificially high.<sup>134</sup> Meanwhile South Vietnam's economic focus shifted towards the USA, although some goods were imported from France, paid for by direct dollar aid from the USA to Saigon, or by the 'triangular francs' system.<sup>135</sup> Diem also wanted to reduce exports to France in order to cut down Vietnamese holdings in francs, which could only be spent in the franc zone. To favour exports outside the franc zone, Saigon put pressure on the piaster and the franc without respect to these currencies' parities.

Diem's caution as regards franc holdings was proved right in 1958, when France unilaterally devalued the franc. In retaliation, he instituted an embargo on exports to France, and banned French capital transfers to Vietnam. In early 1959, the only commercial exchange that took place with the franc zone was that under prior contract. Negotiations followed. In exchange for loosening controls, the Diem–Pinay agreement of November committed France to lending Vietnam seven billion francs to buy French machinery. But the high value of the piaster remained unchallenged in the talks of 1959, to the detriment not only of French businesses in South Vietnam, but also of Vietnamese exports. In the absence of far-reaching monetary

<sup>133</sup> Meuleau, *Des Pionniers en Extrême-Orient*, p. 504.

<sup>134</sup> Bernard reckoned it was about 40–50% too high.

<sup>135</sup> This system most commonly involved the purchase, in francs, of French cotton by the USA, which was then given as aid to Vietnam.

reform, the smooth running of the franc zone's relations with Vietnam was assured only until the next crisis.

*A Reassertion of Liberal Economic Values during the 1950s*

In 1960, when he made this analysis, Bernard was less concerned with the damage Vietnam was doing its own economy as a result of such arbitrary methods of economic management than with the lessons to be learnt for France's future. This case showed that any attempt to impose rigorous financial regulation on a politically independent country was doomed to failure:

The experience of Vietnam should have convinced us that it was essential, if we wanted to safeguard our interests, to be assured that after our departure, the prices and exchange system would be sufficiently liberal to ensure the normal functioning of free enterprise.

In other words, it was not enough to sign a convention before granting independence. The economy must be set on such a footing that everyone's interests were met, which implied liberal economic relations. This was not a popular position. Advocates of centralized control within the franc zone were dominant until the mid 1950s, and still influential in 1958. By 1960, however, a body of opinion had formed around the idea that relations with the ex-colonies should be international and bilateral. As the Economic Council's commission for the study of the zone put it:

The committee wondered whether, given our international obligations, the universal tendency towards free exchange, the current equilibrium of our country's balance of payments and the possibility of maintaining it by means of a return to full convertibility, membership of a monetary zone was not rather outdated.<sup>136</sup>

*The Franc Zone Gives Way to the EEC*

This reassertion of liberal economic values was not simply a result of problems within the franc zone, catalogued in detail by Bernard, and others such as Cartier, Moussa and Bloch-Lainé. The signature of the Treaty of Rome in 1957, and France's own painful process of rising to the challenge of the European common market made it

<sup>136</sup> *Ibid.*, p. 286.

inevitable. The shift in Bernard's thinking on the common market reflects the change that took place in France's economic orientation. In 1953—before the French defeat in Vietnam—he had in fact expressed considerable reserves on the subject. From an economic point of view, integration into Europe was not compatible with the French Union.

Whatever its imperfections and shortfalls in economic and political terms, the French Union, which allows the extension of producer and consumer markets, which provides security to older activities at times of crisis and to new activities during their initial growth period, is so important that by damaging it, we risk ruining our country's trade, industry and agriculture. There can be no question, therefore, of swapping the positive and considerable advantages which the French Union gives us at present, for the hypothetical advantages which Europe may offer in the future.<sup>137</sup>

By 1958, however, he was arguing that the benefits of membership in the EEC would be worth substantial modifications to the existing economic system. He suggested the abandonment of the franc zone's closed economic system, with its overpriced imports and exports, and the reform of overseas taxation policy. But he was pessimistic as to the government's willingness to consider such a move, and urged leaders to commit themselves to the challenge of an economically liberal Europe. In a paper presented to the Economic Council, he observed:

Nothing yet allows us to hope that the government intends to break with its planned and closed economic system, which is incompatible with the common market and its liberal ideals. It seems to have accepted only the exceptional and the provisional features of the Treaty of Rome, its dispensations, and to have rejected the general and definite, the freedom of commercial and monetary exchange, which is the heart of the common market, the spirit of the Treaty of Rome and the point of view of our partners.<sup>138</sup>

By the end of the decade, the Economic Council was prepared to accept his ideas. Convinced that the franc zone was moribund, the council agreed to its fundamental reshaping. France's future was in Europe, and no commitment to her former empire should detract from the construction of the common market. The new-look franc zone would no longer prohibit relations with foreign countries, but should encourage them; it would no longer be run by a centralized French leadership, but along voluntary and contractual lines; it

<sup>137</sup> Bernard, 'L'Union Française et la Communauté politique européenne', *Marchés Coloniaux du Monde*, 28.11.53, No. 420, p. 3296.

<sup>138</sup> Hervey, *Une valeur humaine*, pp. 69–70.

would no longer practice interventionist methods of economic management, but would merely coordinate economic policy. Furthermore, the franc zone was destined to diminish in importance:

The return to a more liberal conception of trade, the evolution of Community<sup>139</sup> countries towards full autonomy, the building of the common market by the creation of new economic relationships with foreign countries and overseas territories, have formed a totally new framework within which we must establish a renovated system of aid to developing countries. We should not, moreover, ignore the fact that the current orientation of international trading relations could result in the weakening of France's relationship with the franc zone countries, to the benefit of universal liberation.<sup>140</sup>

### V. Paul Bernard and the Economics of French Rule in Indochina

From the 1930s to his death in 1960 Bernard's voice on Indochinese affairs was a prominent one. A leader both in the world of business and in the formulation of colonial economic policy, he made a considerable contribution to French economic theory. Cooperation between state and private sector, unique to France and embodied in the General Planning Commissariat, allowed him greater access to policy-making, especially in industrial development, than would have been available to a businessman in Britain. But at the same time he was frustrated in his attempts to orientate policy in directions he felt were economically and morally justifiable; no one criticized more vehemently than he the contradictions in France's policies of colonization in the 1930s and 1940s and decolonization in the 1950s.

These contradictions were not necessarily unique to French Indochina. The process of withdrawal from empire implies for any colonial power certain economic contradictions, inevitable results of conflict between the interests and lobbies involved in colonial rule. Referring to Britain's decolonization of India, Lipton puts forward the following general theory about the metropolitan power:

Usually it has stayed in its colonies long after the costs of doing so, for the metropole as a whole, came to exceed such benefits of its relationship to the colony as could not have been achieved without direct colonisation. This lag suggests that the metropolitan interests vested in continuous colonis-

<sup>139</sup> Bernard refers to the French Union's successor in Africa, the Community, set up on 21.8.58 by de Gaulle.

<sup>140</sup> Bernard, 'La revision des structures de la zone franc', p. 288.

ation—its beneficiaries in trade or investment—must have been stronger, better organised or more aware of their advantage than were the more diffuse taxpaying, consuming and business interests that paid the increasing bills.<sup>141</sup>

The critique of the colonial power's inability to judge and act upon its own interests—perceived in global rather than sectoral terms—is very strong in Bernard's critique of French policy. With reference to industrialization—his attention firmly fixed on the pursuit of profits—he argued that mercantilism served the interests of a few French industries, but was ill-suited to the long-term development of French capital. With reference to the war in Indochina he questioned whether, in the absence of political guarantees for French firms, the expenditure on military operations could be justified. With reference to the franc zone, he contended that aid to ex-colonies bought only a poor security for French capital and a spurious sort of international prestige. He was not alone in voicing these opinions. But he was the first to question any policy not based on economic profitability, and he did so with great energy, though sometimes also with a certain political naivety.

Bernard's sense of frustration must have been compounded by the government's refusal to listen to his analysis of its interests. His call for the industrialization of Indochina, first formulated in 1934, was only accepted in 1948, by which time political conditions forbade it. His attempts to reorient the strategy of French negotiations with Vietnam were ignored. His propositions for the redefinition of the franc zone were ratified by the Economic Council, but this was only months before his death.<sup>142</sup> These disappointments were as much a result of the flaws in his reading of what was politically viable in the colonies, as they were of the inertia he lambasted in the French administration. But he was perhaps compensated for the waste of his exertions in the public sphere by the success of his business ventures.

Bernard is less interesting, however, for his attacks on the running of government and his participation in the management of companies like the SFFC and the TAI. His main contribution to our understanding of Indochina lies in his diagnosis of its major economic problems and in the solutions he proposed, rather than in his forays into the fields of politics and diplomacy. Many of the issues he raised

<sup>141</sup> M. Lipton, 'Neither partnership nor dependence: pre-decolonisation, diversification and paraprotectionism in Indo-British relations since 1947', in W. H. Morris-Jones, *Decolonisation and After* (London, Cass, 1980), p. 161.

<sup>142</sup> He died in Paris on 21 September 1960, from cancer.

in the 1930s remain crucial to Vietnam's development in the 1990s: the problem of demographic growth and the overcrowding of the coastal plains, the high levels of unemployment and underemployment, the need for new forms of labour intensive economic activity, the development of agricultural, mineral and energy resources. His championship of agriculture-led industrialization, based on the widespread use of fertilizers and the development of an internal market, remains of great relevance today, with the impetus given to light industry by the recent 'doi moi' reforms and the influx of foreign capital since the late 1980s.<sup>143</sup> His wartime obsession with guarantees for foreign interests should strike a chord with today's investors, in a country where the laws regulating private business are underdeveloped and suffer from inexperience in their application. The persistence of many features of the economic landscape from the 1920s into the 1990s is one of the more troubling aspects of Indochina's twentieth century economic history. Bernard posed questions that are still being tackled by economists in Vietnam at the present time.

<sup>143</sup> Free market reforms were instituted in 1986 and accelerated in 1989. They resulted in overseas investment of US\$2.1 billion from 1988–1993. *Far Eastern Economic Review*, 23.6.94, p. 53.