

**ECONOMICS, ENVIRONMENT, AND EQUITY:
POLICY INTEGRATION DURING DEVELOPMENT IN VIETNAM**

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ABSTRACT

Conflicts between economic development, environmental protection and social equity underlie efforts to promote “sustainable development.” This paper proposes a simplified framework for integrating economic, environmental and social policies in order to foster development that is ecologically and socially more sustainable. The paper analyzes the specific forms these policy areas are assuming in Vietnam, and the underlying political forces (both internal and external) driving policy implementation. An examination of how these policies are currently integrated and balanced then follows. The analysis shows that contrary to government pronouncements, development patterns are unlikely to be altered towards more sustainable ends under existing institutions and laws. Finally, the paper discusses potentials for integrating current policies to better achieve sustainability goals.

I. INTRODUCTION AND BACKGROUND

The challenge of “sustainable development” is rooted largely in efforts to overcome conflicts between economic development, environmental protection, and social equity concerns. Vietnam serves as a case study of one country’s attempts to integrate and balance policy objectives that promote more environmentally and socially sustainable development. Changes under way in Vietnam, while unique in many ways, are relevant to other developing countries attempting to industrialize while competing in the “global economy.”

Vietnam’s transition to a market economy is driven both by political-economic changes occurring on a global scale and internal demands for economic development, both of which have led the Vietnamese state to advance new objectives emphasizing rapid economic growth. The Vietnamese government's stated goals and underlying legitimation has thus shifted from guiding a transition to socialism to guiding capital accumulation and increases in gross domestic product.

At the base of this transition is the shift from central planning to market exchange. This shift radically alters the role the state plays in economic activities, but by no means eliminates a state role. The Vietnamese government conceives the transition as a change from directly controlling and planning all economic decisions to controlling macroeconomic conditions necessary for economic activity, while continuing to participate directly in key sectors. The general conception is “an economy operating according to market mechanism [sic] with State management

and along a socialist orientation” (Anh 1994:293), that is, flexibility and efficiency of markets combined with government concern for protecting social welfare.

The transition is not to a “free market” – unleashing the many perils of capitalist society – but rather to a managed market in which the state controls and balances the costs and benefits of the market. The function of the state is thus to “work out appropriate policies to have an impact at the same time on both economic and social aspects in order to ensure a definite balanced and sustainable development of the whole society and of different communities of population living in it” (Anh 1994:295). In this institutional arrangement, the state plays two specific roles: 1) spurring rapid economic growth through promotion of capital accumulation; and, 2) protecting and ensuring the social and environmental conditions necessary for economic development. The Communist Party presents these functions as justification for its continued dominance within Vietnam, and the continued influence of the state over economic, social, and environmental concerns.

The primary objective of this paper is to discuss how the changing role of the state, driven by internal and external political pressures, is affecting the balance between economics, environment, and equity in Vietnam. The market system is intensifying conflicts between different social objectives, while new policies are rapidly being developed to respond to societal demands. The paper first analyzes existing integration of policies, followed by a normative assessment of the potential for future integration and balance. The analysis is based on interviews carried out in Vietnam during June to August, 1994, as well as a review of government planning documents and secondary sources.

Before discussing the specifics of policy formation and implementation in Vietnam, a simplified conception of sustainable development is outlined. From this base, the paper analyzes specific policies in Vietnam geared towards promoting sustainability objectives.

II. INTEGRATING ECONOMICS-ENVIRONMENT-EQUITY

The Vietnamese government, along with most nations in the world today, asserts that its development strategy includes a “commitment to sustainable development and protecting the

environment” (SRV 1993:45). The government explains that “more so than for most other countries, environmental issues impose difficult choices on Vietnam. On one hand, there are major environmental problems. Years of war, increasing population pressures and the absence of effective corrective measures have caused significant degradation of forests, land, water and air. On the other hand, there are a number of urgent social problems that need to be addressed with our limited investment resources. Accordingly, there is a greater need than in most countries to prioritize our environmental goals and to adopt the most cost effective approaches to achieving them” (SRV 1993:45). For the Vietnamese government, the stated objective is “Sustainable development with equity, focusing on the conditions and strategies needed to sustain the country’s ability to satisfy the growing material and other needs of the people” (SRV 1993:45).

My goal in this paper is not to better define sustainable development nor to propose specific policies through which to operationalize the concept. Rather, I am interested in using the general concept as the Vietnamese government does to frame the challenges for integrating and balancing economic development, environmental protection, and social equity. The Vietnamese government and the ensuing development debate are rightly focused on balancing these objectives, although no easy solutions or formulas for implementation exist.

In developed and developing countries alike, sustainable development remains more an objective or ideal than a specific policy equation (Barbier 1987, Norgaard 1988, Korten 1991, Srinivasan 1993). Businesses, governments, and non-governmental organizations are able to embrace the concept partly because each institution defines sustainable development differently, with some of the conceptions conflicting (Lele 1991). Nonetheless, conceptions of sustainable development are increasingly important in national and international development debates and in responding to growing environmental and social constraints of development. The most famous definition comes from the World Commission on Environment and Development, which defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED 1987:43). Jacobs, Gardner and Munro further assert that “Sustainable Development seeks...to respond to

five broad requirements: (1) integration of conservation and development, (2) satisfaction of basic human needs, (3) achievement of equity and social justice, (4) provision for social self-determination and cultural diversity, and (5) maintenance of ecological integrity” (Jacobs, Gardner, Munro 1987). Lele argues that “removal of poverty (the traditional development objective), sustainability and participation are really the three fundamental objectives of the [sustainable development] paradigm” (Lele 1991:8).

At its core, sustainable development has three specific objectives that require integration:

- 1) stable economic development in the long-term;
- 2) maintenance of environmental assets (natural resource stocks and assimilative capacity of the environment) across generations; and,
- 3) distribution of the assets and opportunities for economic development in order to foster social and political cohesion (broadly construed as “equity”).

Balancing economics-environment-equity is at the base of this development challenge, going well beyond the establishment of environmental laws as illustrated by experiences in countries from Thailand to the United States. Rather, new institutional forms are required that allow a society to respond flexibly to social and environmental challenges and to make informed choices relating to development. While separate, the three objectives can be viewed as parts of one whole, the ultimate objective of sustainable development. If one objective is undermined then truly sustainable development cannot be achieved. It is thus critical that efforts be made to integrate these distinct policy arenas from the outset of a country’s development.

Actual implementation, of course, is more complicated than theoretical balances or integration on paper. Policy development and implementation is rooted in the specific political-economic conditions at work within a nation. Economic policies in Vietnam are driven both by global economic forces (such as the collapse of the former Soviet Union) and by internal demands for economic growth (such as crises of food production in the 1980s). Environmental policies are influenced both by the demands of international donors and local-level demands for cultural

preservation and a clean environment. Social equity policies are driven by both the country's socialist past and continuing demands for social services and safety nets.

Changing objectives of state agencies and the resulting changes in institutional forms and laws directly impact the economics-environment-equity balance. Economic and social institutions shape how the three objectives relate to one another and to society as a whole. In the past these objectives have been viewed largely as opposing societal objectives; therefore, institutions have often worked to satisfy one objective at the cost of another. For instance, in many countries, institutions designed to promote high rates of economic growth have often achieved their objectives through natural resource depletion. There is often a conflicting role that the state plays in regard to uses of the environment. On one hand, the state is interested in promoting the utilization of natural resources and the assimilative capacity of the environment in the interests of accumulation or for exchange value. On the other hand the state is responsible for the protection of natural resources and environmental quality in the interests of cultural protection and other use values (Schnaiberg 1994).

Conflicts in policies and state functions in Vietnam are quite striking. The Vietnamese government professes its commitment to social equity while making strong environmental claims (see SRV 1993, SRV 1994). Yet, at the same time, the government has made clear that its primary development strategy revolves around the increased exploitation of natural resources and the rapid expansion of resource processing industries. The transition towards a market model for regulating economic activity also highlights new conflicts between economic development and environmental protection. Developing institutional forms and political mechanisms for integrating environmental and social policies with economic development is thus critical to the realization of sustainability objectives.

III. ECONOMIC DEVELOPMENT POLICIES

Economic changes in Vietnam are based on the transition from a central planning model to increased market exchange. Previously, the central government made essentially all decisions

regarding economic activities – from natural resource extraction, to manufacturing, to distribution and consumption. The state was responsible, simultaneously, for driving capital accumulation while protecting collective goods.

Theoretically rooted in the ideal of a proletarian socialist state, the government controlled the means of production and worked to maximize state power over the economy. Government ministries controlled access to raw materials, State Owned Enterprises (SOEs) dominated industrial production and distribution of goods, and state-guided cooperatives were responsible for feeding the nation. While this system was successful in achieving social cohesion during periods of war, as well as in equitably distributing gains of economic development to the peasant classes, the central planning system was not successful in expanding economic activity or in meeting rising consumer demands and expectations. As one analyst noted in 1990, “What is increasingly called into question is the ability of the traditional socialist model to deliver both economic growth (in the sense of rising produced output value) and development broadly interpreted to include rising living standards, improved health, more leisure and more democracy for the majority of the population in whose name the socialist revolution was carried out” (Beresford and Frasier 1992:15).

Market reforms are thus meant to spur economic activity and capital accumulation in order to drive increases in GDP, improvements in living standards, and availability of consumer goods; the state’s response to pressures to deliver material rewards of economic development. The Vietnamese government is acutely aware of both the demise of communist governments in Eastern Europe (who were unable to respond to public demands) and the continued power of the Chinese Communist Party (which has captained spectacular economic growth over the last several years). The new basis of the state’s legitimacy is thus largely centered on its ability to deliver economic growth and rising standards of living.

The Vietnamese government views its comparative advantages in the global economy as “a prime location from which to trade and do business with the most economically dynamic region in the world; an internal cohesion and political stability that allows rapid and sweeping reforms of the economy; a large labor force that is young, relatively well educated and trained, and that is hard

working and disciplined; a diverse natural resource base that will support expansion of the agricultural, forestry, fishery and mining industries; and a tourist potential that is attracting considerable overseas interest” (SRV 1993:20).

The Vietnamese development strategy involves the intensification of agricultural production (partly through privatization of land use and increased chemical inputs), increased extraction and processing of natural resources (through both state-owned enterprises and foreign direct investment), and promotion of labor-intensive light industry (primarily through foreign direct investment). The Communist party general secretary, Do Muoi, explained recently that development “efforts must be concentrated on stepping up industrialization of agriculture and the countryside, striving to develop those industries that are involved in the processing of agricultural, forestry and marine products; consumer and export industries; tourism and service sectors both in urban and rural areas” (EIU 1994:16). Table 1 lists the key sectors targeted under the government’s development plans.

Table 1. Government “Objectives Concerning Key Sectors”

1. Encourage export-oriented agricultural production
2. Reforest and develop the forestry industry
3. Develop the fishing industry
4. Develop the agriculture and fisheries processing industries
5. Develop the energy sector - particularly oil and gas extraction
6. Develop the service sector - particularly tourism

Source: Socialist Republic of Vietnam, *Vietnam: A Development Perspective*, 1993, p.9.

Current reforms are transforming the institutional framework underlying economic activities in Vietnam. Since the early 1980s the Vietnamese government has increasingly liberalized the exchange of commodities and services under the “Doi Moi” renovation program. In particular control over capital and resource allocation have shifted from political control mechanisms to market exchange. Legal structures and national policies for economic development are radically transforming economic opportunities for exchange and production. New laws

include: the Law on Private Business (1990) and the Law on Companies (1990) which laid the groundwork for individuals and private firms to more fully participate in economic activities; the Foreign Investment Law (1987) designed to attract foreign capital and technology; the Ordinance on Economic Contracts (1989) and the Ordinance on Civil Contracts (1991) providing a legal framework that enables and protects market transactions; banking reforms (1988 and 1990) creating a two-tiered banking system of state and commercial banks; state enterprise reform (1989) removing or reducing subsidies to state enterprises; and, the Land Law (1993) providing long-term usufruct and land transfer rights for agricultural, forestry, commercial/industrial and residential land (World Bank 1993c). This legal structure signals decreased direct state intervention in economic decision making. Capital allocation, for instance, is based much more in competitive markets than political decisions.

Market reforms have resulted in a rapid expansion of economic activity. Between 1986 and 1990, the national GDP grew at an annual rate of 5.1 percent. Since 1992, GDP growth has accelerated to approximately 8 percent per year. Between 1987 and 1989, rice yields increased by 26 percent and allowed Vietnam to move from being a net importer of rice to becoming the world's third largest exporter. Industrial growth surpassed 14 percent per year in 1993 and 1994 (EIU 1995).

It is important to note that this rapid economic growth is occurring during a period of significant institutional change in Vietnam. The institutional framework established to carry out economic policy, which is based in central planning structures, is being reformed and transformed rapidly. For instance, the State Planning Committee, which was a key body in central economic planning, is assuming new roles such as coordinating and directing foreign aid monies and development projects. Other ministries are likewise assuming new roles as providers of the macroeconomic and infrastructural conditions necessary for economic activity, gradually reducing their direct roles in economic activity. Critical economic functions such as allocation of capital are increasingly being carried out through market mechanisms as the state banking system repositions itself.

Changes in state management, capital allocation, and market trends have caused industrial output to shift significantly over the last several years. Table 2 shows the shift in the structure of industrial output from 1980 to 1992 for State Enterprises. While it can be argued that these shifts are leading to more “efficient” allocation of capital in the economy, non-market impacts are important. For instance, the table highlights that two natural resource-based sectors – oil and gas production and food processing – are growing much faster than other sectors. This shift in the structure of industry is likely to exert new pressures on resource use, as well as to increase potentials for adverse environmental impacts such as oil spills and increased Biochemical Oxygen Demand (BOD) in rivers. In more general terms, as one analyst has noted, “expanding and evolving economic development in Vietnam will be to a great extent dependent on ever increasing development and utilization of non-renewable mineral and energy resources from both domestic and international sources: activities which have associated with them substantial economic, environmental, social and cultural impacts” (Clark 1993:1).

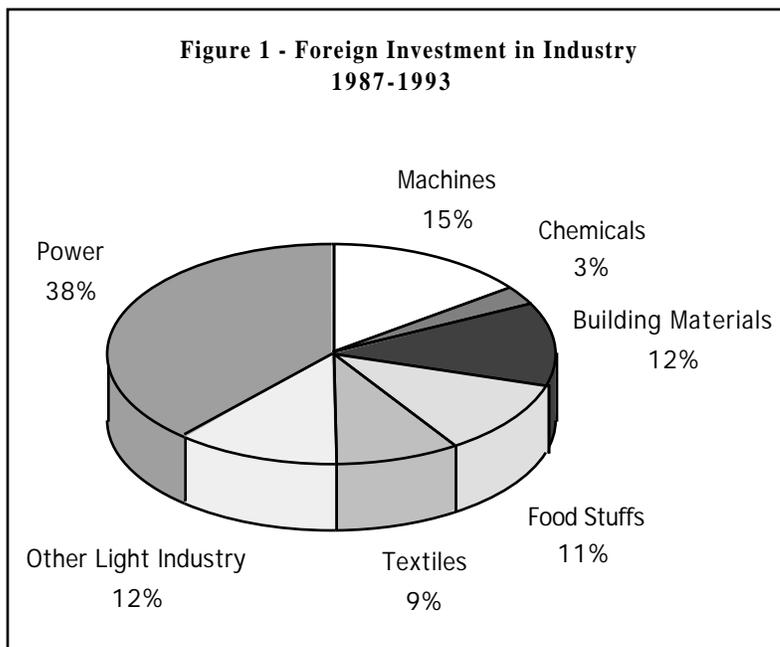
Table 2. Structure of Gross Production of State Enterprises (%)

| | 1980 | 1986 | 1990 | 1992 |
|------------------------------------|------|------|------|------|
| Electricity | 7.3% | 8.5% | 9.2% | 9.1% |
| Fuel industry (Oil & Gas) | 3.0 | 2.8 | 9.5 | 23.2 |
| Metallurgy | 3.2 | 2.0 | 2.5 | 2.7 |
| Production of equipment | 8.3 | 8.8 | 6.9 | 2.6 |
| Electric and Electronic technology | 1.3 | 2.1 | 3.8 | 1.8 |
| Chemicals and Fertilizers | 11.9 | 11.6 | 12.0 | 8.0 |
| Wood products | 9.7 | 4.5 | 2.1 | 1.1 |
| Foodstuffs | 21.5 | 24.0 | 21.6 | 30.1 |
| Textiles | 15.0 | 16.7 | 15.3 | 8.5 |
| Other | 19.8 | 19.0 | 17.1 | 12.9 |

Source: Kim, Tran Hoang (1994), *Economy of Vietnam - Review and Statistics 1994*, Statistical Publishing House, Hanoi, Table 57, p.153.

International actors increasingly affect economic changes in Vietnam as well. The government’s “open door” policy signals a shift from a strategy of self-sufficiency and domestic production to an export-oriented, liberalized trade strategy. The increasing role of Foreign Direct Investment (FDI), which constituted over 25 percent of total investment in 1992 (SRV 1993:21), is

further transforming industrial output and natural resource utilization. Figure 1 shows the breakdown in FDI in industry. Again this shift signals new impacts on the environment and natural resource use. As discussed below, Vietnam is accepting significant amounts of foreign direct investment without an effective system for reviewing Environmental Impact Assessments (EIAs), with no national environmental standards, and without a system for screening technology imports.



Source: Kim, Tran Hoang (1994), *Economy of Vietnam - Review and Statistics 1994*, Statistical Publishing House, Hanoi.

To summarize, Vietnam is going through an economic transformation rooted in political changes that are driving three key shifts: (1) shifts in overall levels of economic activity; (2) shifts in the structure of the economy (and particularly in industrial production); and, (3) a changing state role in economic activity.

IV. ENVIRONMENTAL POLICIES

Environmental concerns are not new to the Vietnamese government. In 1975, at the conclusion of the U.S. war, the government began a program of reforestation and rehabilitation of lands damaged by defoliation and other war impacts. However, environmental protection in general remained a low priority during a period of economic rebuilding after the war. The very concept of environmental protection, and the specific costs of environmental activities, were generally viewed as non-productive investments in the government's drive for building a socialist society. For example, essentially no capital was invested in wastewater treatment systems or other environmental controls for new factories. During the 1980's government action on the environment focused on reforestation programs and research efforts to evaluate resource stocks and environmental quality as a first step in planning the "rational utilization" of natural resources (Can 1994).

With market reforms, the role and philosophy of the state is changing in regards to natural resource use and environmental protection. Whereas previously the government directly allocated materials and determined production levels, thereby determining scarcity and value of resources, now prices are determined through open exchange, and access is available for those who can pay. Nature is thus being transformed from essentially a free good (that was often scarce) to a commodity bought and sold in the market.

Conflicts between resource use, social equity concerns, and environmental protection existed under the central planning system. The Vietnamese state promoted the utilization of natural resources for productive activities and capital accumulation. However, under market reforms internal conflicts over resource use and environmental protection are taking new forms. As the government promotes increased flexibility in the economy and capital accumulation through development of natural resources, it is also slowly establishing regulatory structures to protect the environment. Thus, a critical shift involving control over different uses of the environment is underway. These changes result in significant impacts for those who gain and lose from resource use. As mentioned previously, changes are also underway in mechanisms of state control over productive sectors such as mineral production and forestry.

Both external and internal factors are driving the development of environmental policies in Vietnam. Concern for the environment has intensified among international lending agencies such as the World Bank and Asian Development Bank, as well as bilateral aid agencies. External pressures on the Vietnamese government primarily take the form of aid agencies and international non-governmental organizations (NGOs) pressuring for the inclusion of environmental protection measures in development projects. Individual donors such as Sweden, Finland and Canada are also playing an important role in promoting the development of environmental institutions and policies in Vietnam. International NGOs such as the World Wildlife Fund (WWF) and the International Union for the Conservation of Nature (IUCN) work closely with government agencies to develop environmental policies and implementation programs.

Within Vietnam, local demands have played a critical role in the implementation of environmental policies, particularly at the city and provincial levels. Local populations experiencing environmental impacts of urban congestion and crowding, increased presence of pollutants from industrial activity, and degradation of natural resources critical for cultural and social patterns of life are concerned and active around environmental issues. Public complaints regarding environmental problems are accepted as legitimate forms of input to local People's Committees (in contrast to other forms of public participation which are still not politically acceptable). The media also plays a role in publicizing critiques and concerns about environmental practices of factories. Public complaint systems under the central planning system seemed to be facilitated by the absence of market competition. Mechanisms existed for bringing public pressure to bear on state and private industrial enterprises even when it required that costs be incurred by manufacturers. As I will discuss in more detail below, local level policy actions concerning growth, equity, and environmental protection are currently leading national policy development. However, with market competition, there are likely to be new constraints on public complaints regarding industrial activities, with community-level balancing of "jobs vs. environment" trade-offs, as well as new pressures on labor organizing.

The legislative and planning framework for environmental protection in Vietnam operates at three primary levels: 1) the National Environmental Protection Law (EPL) administered by the National Environment Agency (NEA) within the Ministry of Science, Technology, and Environment (MOSTE); 2) sector-specific laws and regulations regarding natural resource use that predate the EPL; and, 3) provincial- and city-level environmental regulations and standards. The EPL is an umbrella law establishing broad responsibility and direction for environmental policy. As the preamble to the law explains, “the Law provides for the protection of the environment with a view to protecting the health of the people, serving the cause of sustainable development of the country and contributing to the protection of regional and global environment” (SRV 1994).

An important aspect of the EPL is its definition of the scope of state management in environmental protection. This mandate for state environmental protection is a massive undertaking, largely based on a western model of environmental regulation. State responsibilities range from standards setting to public education, from local inspections to international cooperation. At this point however, the EPL is much stronger in its mandate than in its implementation. For instance, while there is a requirement that all industrial enterprises (new and old alike) complete Environmental Impact Assessments (EIAs) of their operations, the government does not have trained personnel to evaluate EIAs, nor is there a timeline for compliance or for decisions on how to respond to EIAs. The EPL has provisions for levying fines against polluters, but does not explain how fines will be determined nor who will enforce them. The EPL prohibits the “importation of technology and equipment not meeting environmental standards,” but provides no means to monitor importation of equipment (SRV 1994).

The EPL does not clearly identify institutional authority and responsibilities of MOSTE or the line ministries with respect to permitting, environmental assessments, standards setting, and other environmental management functions. This problem is a critical concern for the integration of environmental policies into other government programs, as the EPL does not give any central agency the responsibility for policy formulation and inter-agency coordination and monitoring

within the environmental arena. Environmental activities and responsibilities are spread between central and local administration, and among various agencies at these levels.

The EPL states that line ministries are responsible for environmental management of the sectors under their control, giving at least ten ministries environmental responsibilities. Because environmental management roles and responsibilities are yet to be defined on an operational level, problems are arising around overlapping responsibilities for natural resource management – a critical concern for sustainable development planning. For example, in the case of water management there are nine national-level agencies with a role in decision making.

Another important issue is the capacity of line ministries to carry out environmental management functions; ministries currently have essentially no trained personnel in environmental issues. There is also significant potential for conflicts of interest within ministries acting to promote development and to regulate their own activities (World Bank 1993b). The potentially conflicting roles of state agencies over environmental concerns is clearest within ministries such as the Ministry of Heavy Industry (MHI) which continues to directly manage industrial enterprises, and now must regulate its own factories on environmental grounds. MHI has little environmental expertise and less desire to slow economic activity. These conflicts are evolving, however, as ministries are being reformed within new political-economic conditions.

Local participation plays an important role in environmental control in Vietnam. Although the EPL contains few references to public participation, local People's Committees have a tradition of responding to public complaints and fining polluters. Public involvement in environmental issues mainly occurs when neighbors of polluting facilities complain to local Environment Committees; thus, MOSTE and local Environment Committees act in a largely reactive capacity to local community input. No mechanisms yet exist for NGOs to participate in environmental disputes in Vietnam.

Connections between national and provincial levels are critical as new environmental policies are being developed at the provincial and city levels. In fact, local level Environment Committees appear to be the most active players in environmental monitoring, regulation and

control in Vietnam today.¹ The Hanoi Environment Committee has approximately 30 professional staff and the Ho Chi Minh City Environment Committee has 40 staff. Staff of Ho Chi Minh City's Environment Committee have received training from the Singapore government. Hanoi and Ho Chi Minh City have both enacted local regulations, including ambient and workplace environmental standards, and inspection programs. Both Environment Committees have been active in evaluating the worst polluters within their jurisdictions, forcing some to move out of the city center, and closing others altogether. The Hanoi People's Committee has a program for helping old factories move out of the city center, using the sale of valuable urban land to finance building new factories outside of the city. Ho Chi Minh City People's Committee is currently attempting to transform, move or shut down a "black list" of 42 highly polluting factories. In contrast, the National Environmental Agency has not yet taken any concrete actions along these lines.

Government programs and policies that do exist are under significant constraints (Thanh 1993:64). Lack of trained personnel is a glaring constraint on effective implementation of environmental policies. The National Environment Agency had 28 staff as of August 1994, only 4 of which had received any training in environmental management issues, and only 2 of these had completed graduate-level training. Aside from Ho Chi Minh City, provincial and local Environment Committees suffer from a similar dearth of experienced staff. Other key constraints include a lack of baseline data on environmental quality, lack of technology for natural resource management and accounting, weak institutional capability, and a poor infrastructure base.

Constraints at the local level take somewhat different forms, and are tied closely to economic and equity concerns. For instance, many industrial polluters are struggling to survive in the market, operating with obsolete equipment and poor management practices. This leads local governments – which are under significant pressure to protect employment and have no resources for pollution control – to do little more than assign small fines to firms. The Hanoi Board of Inspectors, for example, has the authority to levy fines of only \$5 to \$50 on polluting firms, far too low to change a factory's behavior (World Bank 1994a:112). Factories themselves are often

¹ This assessment is based on interviews with city, provincial, and national environmental authorities.

hard-pressed to do more than make small improvements in housekeeping. However, as mentioned, other methods have been employed to reduce environmental impacts of industry, such as moving factories altogether.

To summarize for the environmental sector: (1) new institutions and laws in Vietnam remain very weak; (2) local initiatives in some locales lead national programs; (3) there is currently poor integration between state ministries and between national and local levels; and, (4) all institutions are operating under serious administrative and financial constraints.

V. EQUITY POLICIES

As a number of historians have noted, “it was the Communists’ commitment to organization of the masses that differentiated them from other nationalist tendencies” and eventually led them to power in Vietnam (Beresford 1988:19). The specific conditions in Vietnam directed the Communist Party to focus its initial efforts towards agricultural rent reductions and later land reform in order to win the loyalty of peasants (Vickerman 1986).

From its beginning, the Communist government understood that its main source of support and strength was rooted in the provision of economic and social benefits to the peasant classes. Land reforms begun in 1953 were the cornerstone of Communist Party efforts to mobilize peasants in the North. From the 1950s to 1975 war efforts served to mobilize and unify much of the population. The Vietnamese leadership again asserted their focus on agrarian reform and social equity for the peasant classes at the end of the US war.

Vietnam’s social policies have achieved a number of significant gains. Although the country has a low per capita income (\$220 per year), the literacy rate is estimated at 88 percent, with women’s literacy only slightly lower at 84 percent. Infant mortality (54/1000) is much lower than other countries at the same economic level. Life expectancy is 67 years (World Bank 1994b).

Vietnam’s transition to the market, however, is having significant impacts on wealth distribution and social services. Critical changes over the last several years include: cuts in government development funds (due in part to the reduction of Soviet aid), particularly for long-

term investments such as health, education, and rural infrastructure; a shifting relationship between the central and local governments; and, the transformation of the system of food production and distribution (Kaufman and Sen 1993:233). Two changes in particular are increasing socioeconomic differentiation: changes in land tenure, and movement of households from agriculture to non-agricultural activities (Long 1993:194). The state's new role in driving capital accumulation has also shifted government spending priorities, resulting in sharp cuts in some social services.

By 1990, rural inequalities had become more apparent and were a focus of political and academic debates. In certain regions socioeconomic differentiation had developed to the point where "income spread between well-off and poor rural households reached forty to one" (Long 1993:189). Analysts have noted a "growing disparity among regions in food-crop production," arguing that "this would not matter if grain moved freely from surplus to deficit regions, but markets in the poorer regions have no such capacity at present" (Kaufman and Sen 1993:248). Currently, 51 percent of the Vietnamese population is classified as living in poverty, that is with annual incomes below \$100. There are also "major differences in poverty (1) between regions, and (2) between rural and urban areas" (World Bank 1994b:83).

Institutions that previously served to strengthen collective objectives against individual interests are no longer functional. Social safety nets, such as guaranteed employment and free access to social services that traditionally supported the urban and rural poor, are disappearing. Though land allocation emphasized principles of equal access and social safety, land transfers are leading to the emergence of landless laborers and land-insufficient peasants in agriculture. Hundreds of thousands of industrial workers, government employees and soldiers have been laid off, causing high levels of unemployment (unofficially estimated at 20 percent) and underemployment in urban areas (World Bank 1993c).

Responsibility for financing health care has shifted from central to local governments under the reforms. Access to health services has declined due to "the inability of people to pay [new] medical fees and, in part, to declining faith in deteriorating health facilities, where equipment often

does not work and no drugs are available” (Kaufman and Sen 1993:247). However, health reforms have also allowed licensed private clinics to open in many urban areas providing services on a fee-for-service basis. There are also new fees for education, and rising rents for government housing.

The role of the state in providing social services and in transferring food and funds between regions is rapidly changing. Poverty reduction is now to be achieved primarily through economic growth. As the World Bank notes, “efforts at broad based economic growth and regional development are presently limited, however, by a Public Investment Program that does not focus sufficiently on rural areas; by a system of intergovernmental finances which limits the ability of local governments to implement the appropriate development strategy; and by a rural financial system which does not provide the right incentives for private sector growth” (World Bank 1994b:85).

The Vietnamese government is under considerable pressure internally to respond to increasing socioeconomic differentiation. Concern for social and political stability is a strong force acting on policy makers. Pressure from the military and veteran community (there are more than 8 million veterans, many disabled) has influenced government policies on cooperative structures and social redistribution programs (Long 1993:202). Peasants continue to play an active role (in certain regions) in demanding changes in government policies and programs (Luong 1994).

State policies are shifting towards programs to regulate the market system, such as a labor law passed in June 1994 to codify workers’ rights in state and foreign firms. The labor law was motivated both by internal and external demands for mechanisms of settling disputes between managers and employees. Growth in foreign-owned factories has brought with it an equivalent growth in strikes, expanding from only six in 1992, to seventeen in 1993, to sixty-nine strikes in the first quarter of 1994. Foreign investors are also interested in social and political stability, although the means employed to achieve stability (repression or democracy) are probably of less concern to most investors.

To summarize, on top of the increased social differentiation that is occurring, state policies designed to promote social equity and cohesion are shifting towards: 1) a reduced state role in direct transfers of agricultural commodities; 2) reduced state funding of social programs such as education and health care; and, 3) a new state role in regulating the adverse impacts of market exchange and production.

VI. INTEGRATION OF POLICIES IN VIETNAM

Political and socio-economic changes in Vietnam are shifting government priorities between economic development, environmental protection and social equity. The move from central planning to market exchange, while a response to global and local pressures, affects public demands and expectations, foreign investors, and lending agencies. Institutions and laws are rapidly being transformed, and in the process, state goals and means of legitimation are transformed as well.

A primary contention of this paper is that the distinct objectives of economic development, environmental protection, and social equity are connected instrumentally in the single social goal of sustainable development. However, policies and institutions do not naturally take forms that integrate these objectives. Under the central planning system, trade-offs in social objectives were made at the national level through Communist Party political structures. Development issues such as agricultural production were integrated with social policies such as land reform and cooperativization. In its transition to the market, the Vietnamese state is assuming new roles in economic development, environmental protection, and social equity. Consequently, new conflicts are arising in integrating and balancing economics-environment-equity.

The Vietnamese government asserts that its overall goal is to promote sustainable development through “the integration of environmental considerations into sectoral policies, [and] enactment of suitable environmental legislation” (SRV 1993:45). A general awareness does exist in Vietnam of conflicts over resource uses – based partly in global conceptions of sustainable

development, and partly in Vietnam's own history of development. There is also a commitment to a state role in balancing competing social objectives.

As the state changes its mechanisms of control over the economy and as the economic behavior of domestic and foreign actors become less encumbered, resulting growth will have both positive and negative effects. Critical new conflicts will arise within the state. There is currently a "lack of proper strategies for compromising conflicting uses of resources," along with other environmental and equity concerns (Thanh 1993:64). The Vietnamese government asserts that it is exploring economic policy measures, including pricing mechanisms such as taxes and fees, to increase efficiency of use of scarce environmental resources. However, a cynical reading of environmental policy in Vietnam might lead one to argue that policies are designed to satisfy the demands of external actors such as aid agencies², and to some degree internal demands to stop the worst polluters, but are specifically designed to not affect economic activities negatively. This would be a rational policy design from the perspective of a government that justifies itself through rapid economic growth.

The attempt to simultaneously promote and regulate manufacturing firms provides one example of conflicts over environment and development objectives. The Lam Thao Superphosphates Fertilizer Factory, a state-owned enterprise located 100 kilometers northwest of Hanoi, is a case in point. Chemical fertilizer production is a priority industry for the Vietnamese government, seen as a key to increased intensification of agriculture, and a means to reduce dependence on foreign imports. As such, state-owned fertilizer factories such as Lam Thao continue to receive subsidies and concessional loans from the government. The Ministry of Heavy Industry directly controls Lam Thao, providing technical assistance and support to meet its goal of doubling output over the next several years.

While very successful in terms of growth in output, Lam Thao has come to represent many of the costs of industrial development in Vietnam. People throughout the country have heard of the

² Vietnamese government documents presented at international conferences and meetings (and quoted in this paper) are often prepared with the assistance of international consultants who recognize the importance of using currently fashionable sustainability language.

workers at Lam Thao who have lost their teeth from chemical exposure, of the dead banana trees and poisoned rice fields around the factory, and of villagers relocated away from the direct plume of the factory. Driven by local protests over these problems, the provincial Peoples' Committee has brought grievances against the factory resulting in fines for environmental damage. The provincial Department of Science, Technology, and Environment (DOSTE) rates Lam Thao as the province's number one environmental problem.

Although the factory has been required to compensate farmers for damaged crops, fines have been minimal and have not yielded changes in factory operations. Local people continue to complain about environmental conditions, pressuring the Peoples' Committee to take action. At the same time, the Ministry of Heavy Industry argues that the factory is fighting to survive in the new market economy and must first guarantee continued employment for its 3,000 workers. The factory management realizes that changes in industrial activities are likely to have long-term impacts on human health and the environment, and that their activities will in the future be more closely regulated. However, growth and competitiveness have been prioritized ahead of environmental concerns. The Ministry thus lobbies for funds to expand output while deferring environmental investments.

Lam Thao is just one example of a state-run factory producing for the national market while causing local environmental and health problems. Rather than integrating goals and objectives, current institutional arrangements serve to separate costs and benefits of fertilizer production. Local villagers pay the costs of increased pollution levels, while the Ministry of Heavy Industry (and in some ways the country) reaps the benefits of domestically produced fertilizers.

Lam Thao highlights some of the dilemmas of balancing growth and competitiveness with equity and environmental concerns. While it is national planners who will decide the financial future of this factory and many others, the planners receive little input on specific environmental and health impacts of industrial activities. And although there is general environmental awareness among policy makers and planners, environmental concerns are not adequately backed by

institutions or laws. Local communities and local government bodies thus struggle to assert their concerns into national decision-making.

The primary process for incorporating environmental concerns into development projects is through the National Project Evaluation Board (NPEB) under the chairmanship of the State Planning Committee (SPC), to which MOSTE submits comments on environmental assessments of selected proposed investments. However, neither MOSTE nor the city Environment Committees currently have the capacity to carry out systematic environmental or health assessments of investment projects. The ability of these agencies to influence decisions of the NPEB is also seriously in question.

National government agencies are under pressure to promote economic growth and employment. Because of this, national policies will likely favor economic development objectives over all else. Governmental bodies operating at the provincial and local level, however, may be expected to focus more on equitable distribution of the costs and benefits of economic transformation. Environmental protection, while a low priority for provincial People's Committees, is nonetheless an issue that local authorities are forced to respond to from public complaints.

VII. POTENTIALS FOR INTEGRATING ECONOMICS-ENVIRONMENT-EQUITY

While there are many constraints on the integration of economics, environment and equity in Vietnam, there are also significant opportunities for integration. Vietnam is at a critical juncture for developing and implementing integrated policy strategies. Vietnam's system of "market socialism" offers the potential for regulating market activities so that social costs and externalities are not borne solely by individuals, and at the same time collective goods are not captured entirely by private individuals or corporations (Beresford and Frasier 1992:15). A potential exists for combining the benefits of market exchange with government planning and provision of social needs.

Vietnam begins its new development process with a strong awareness of environmental and resource constraints and with a theoretical commitment to sustainable development. Environmental awareness and knowledge of the environmental impacts of rapid economic development (as has been experienced in countries such as Taiwan, Korea, and Thailand) is actually a late-industrializer benefit for Vietnamese policy-makers. If strategic, Vietnam can learn from the mistakes of other Asian nations. Vietnam's existing system of connecting local-level administration with national institutions and policies also offers new potentials for integrating social objectives in more flexible processes. Local and provincial People's Committees can play a decisive role in development decisions, more fully representing the desires and needs of local populations.

Within the existing internal and external constraints, the Vietnamese government must begin to develop innovative policy responses to the challenges of sustainable development. Policy integration is critical to this effort. For example, there is clearly a need for a supra-ministerial body or council to integrate economic development and environment policies. While a strong central government is no guarantee of sustainable development, by establishing mechanisms for decision-makers to discuss and plan for the trade-offs inherent in economic development, environmental protection, and equity objectives, the government will have made the first step towards understanding, integration, and balance. Specific actions that will promote integration include improved screening procedures for all large projects and especially FDI projects, pricing and taxation measures to promote resource use efficiency, availability of capital for investments in pollution prevention technologies, expanded mechanisms for public complaint and participation, and zoning measures that direct spatial forms of development

Local-level efforts will also be essential to the balancing of objectives. As was discussed, local and provincial regulations may actually lead national policies, as they have in many other countries. Local authorities will likely have better information than national planners, integration and balance of objectives will change from region to region, local measures are likely to be easier to monitor and enforce, and most importantly, local organizations are more likely to be able to formulate the "right balance" when integrating policies.

In order to avoid conflicts between local and national objectives, new means of incorporating public input into decision-making will be critical. Procedural mechanisms for allowing public input into planning, project evaluation, and policy making should be considered. Opening channels of public participation may be the most important action for promotion of sustainable development, as local-level participation seems to have more potential for mediating and balancing sustainable development objectives.

The challenge of “managing the market” is obviously immense. However, efforts made to control market activities from both the production and consumption sides can have significant pay-offs. The government’s ability to contain consumer demands and expectations may be as critical as any pollution prevention programs. There is obviously no easy model to apply for promoting sustainable development. As Vietnam enters the global economy it is faced both by new challenges and new opportunities to foster development that is truly sustainable.

VIII. SUMMARY AND CONCLUSIONS

Taking sustainable development seriously requires much more detailed analysis of specific policies, institutions and laws developed to meet distinct objectives. In order to balance economic development, environmental protection, and social equity it is critical to understand the driving forces behind specific policies and the social constraints and opportunities for integrating separate policies. Sustainable development highlights the need for collective mechanisms of control over the development process. While trade-offs must be made, the objectives of economics-environment-equity should be viewed as a parts of a greater whole which require means of integration. As this paper has shown, Vietnam has established formal environmental institutions, has an environmental law, and proclaims a desire for sustainable development; however, the institutional structures necessary to integrate the objectives of sustainability within the specifics of the Vietnamese context do not exist.

The challenge for Vietnamese policy makers is to assess internal political dynamics and the strengths and weaknesses of local and national institutions, and then to begin the process of

creating new institutional linkages or new institutions all together. There is an important role for local level organizations to play, as there is for national Ministries. But there is no easy formula for how different institutions and different levels of government should interact to best serve the goals of sustainability. Copying U.S. or Thai environmental and development policies is almost guaranteed to fail. The specific conditions and constraints operating in Vietnam at both the state and local levels must be recognized and taken seriously in policy development.

Though Vietnam has been tossed and turned by global politics over the last forty years, it is quite likely that the next forty years will be even more dynamic. The goal of sustainable development must thus be under-girded by the creation of flexible institutions that can respond to rapid global and domestic changes in economics, environment, and equity. As Beresford notes “the enormous resilience of Vietnamese communism in three decades of almost continuous warfare has...been largely attributable to its ability to react flexibly and pragmatically in a crisis and ultimately to come up with a response based on a realistic appraisal of the political, economic, diplomatic and social parameters within which it needs to act” (Beresford 1988:52). The newest challenge for Vietnam, as for other developing countries, is to increase this flexibility and to further incorporate the needs of the citizenry in integrating the objectives of economic growth, environmental protection, and social equity during development.

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