

## **ECONOMICS, ENVIRONMENT, AND EQUITY**

### **Policy Integration During Development in Vietnam**

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*Conflicts between economic development, environmental protection and social equity underlie efforts to promote "sustainable development." The author 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 follows. The analysis shows that contrary to government pronouncements, development patterns are unlikely to be altered toward more sustainable ends under existing institutions and laws. Finally, the article discusses the potential for integrating current policies to achieve sustainability goals.*

#### **Introduction and Background**

The challenge of "sustainable development" is to overcome conflicts between economic development, environmental protection, and social equity concerns. This paper presents a case study of one country's attempts to integrate and balance policy objectives that promote sustainable development. Changes underway 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 by global political-economic changes as well as internal demands for economic development. These have led the Vietnamese state to advance new objectives emphasizing rapid economic growth. The Vietnamese government's stated goals and underlying legitimation have shifted from directing a transition to socialism to guiding capital accumulation and growth in gross domestic product.

A shift from central planning to market exchange is at the base of this transition. 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 concept is “an economy operating according to market mechanism [sic] with State management and along a socialist orientation” (Anh 1994, 293), that is, the 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 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: that of spurring rapid economic growth through promotion of capital accumulation and that of 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 is affecting the balance between the competing pressures for economic growth, environmental protection, and promotion of 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. A simplified concept of sustainable development frames the analysis. Based on interviews carried out in Vietnam from June to August, 1994, government planning documents, and secondary sources, the paper examines specific Vietnamese policies geared toward promoting sustainability objectives. Finally, a normative assessment of the potential for future integration and balance is made.

### **Integrating Economic Growth-Environment-Equity**

As a response to growing environmental and social constraints on development, sustainable development is increasingly important in national and international development debates. The most famous definition of sustainable development 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, and 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).

The Vietnamese government, as 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).

However, 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). Moreover, businesses, governments, and non-governmental organizations are all able to embrace the idea partly because each institution adopts different and often conflicting definitions of sustainable development (Lele 1991).

My goal in this paper is not to provide a better definition of 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

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the challenges for integrating and balancing economic growth, environmental protection, and social equity.

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 referred to as “equity”).

While listed separately, the three objectives can be viewed as parts of one whole. If any one of the objectives is sacrificed, then truly sustainable development cannot be achieved. It is critical that efforts be made to better integrate these policies at the outset of a country’s development. Balancing economic growth-environment-equity requires more than the formal adoption of a few specific environmental laws. As illustrated by experiences in countries from Thailand to the United States, new institutional forms are needed that allow a society to respond flexibly to social and environmental challenges and to make informed choices relating to development.

Policy development is rooted in the specific political-economic conditions at work within a nation. Recent shifts in economic policies in Vietnam were 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 in food production in the 1980s). Environmental policies are influenced both by the demands of international donors and by local-level demands for cultural preservation and a clean environment. Social equity policies are driven by both the country’s past pattern of socialist policies and by continuing demands for social services and welfare.

Historically, institutions which are charged with promoting one objective, like economic development, often exercise their mandate at the expense of one of the other objectives such as natural resource protection. While these objectives have been seen as conflicting, they are not necessarily so, indeed, as priorities change the state must find new ways to balance them. 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. The state is also responsible for the protection of natural resources and environmental quality in

the interests of cultural protection and other use values (Schnaiberg 1994).

In Vietnam, policy conflicts are quite striking. The national government professes its commitment to social equity while making strong environmental protection claims (SRV 1993; SRV 1994). At the same time, its primary development strategy revolves around increased exploitation of natural resources and rapid expansion of resource processing industries. The transition toward a market model for regulating economic activity has given rise to new conflicts between economic development and environmental protection. Developing institutions and political mechanisms for integrating environmental and social policies with economic development is thus critical to the realization of sustainability objectives.

### **Economic Development Policies**

Economic changes in Vietnam reflect the transition from a central planning model to increased market exchange. Previously, the central government essentially made all decisions regarding economic activities – from natural resource extraction, to manufacturing, to distribution and consumption. The state was responsible 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. This system helped maintain social cohesion during periods of war, and it equitably distributed development gains to the peasant classes.

The central planning system however, 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).

The Vietnamese government recognizes that its legitimacy is increasingly based on its ability to deliver economic growth and rising standards of living. The demise of communist governments in

Eastern Europe and the continued power of the Chinese Communist Party (which has captained spectacular economic growth over the last several years) has placed pressure on the government to deliver on these issues. Market reforms and integration into the global economy are the government's key strategies.

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).

This development strategy, illustrated in table 1, involves a several pronged strategy. It includes the intensification of agricultural production, (through privatization and increased chemical inputs), increased extraction and processing of natural resources (through both SOEs and foreign direct investment (FDI)), promotion of labor-intensive light industry (primarily through FDI), and promotion of the tourism and service sectors. Such reforms are transforming the institutional framework underlying economic activities in Vietnam.

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**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: SRV. 1993. *Vietnam: A development perspective*, 9.

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Since the early 1980s, under the "Doi Moi" renovation program, the Vietnamese government has increasingly liberalized the exchange of commodities and services. Legal structures and national economic policies are radically transforming 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 participate more fully 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), which provide a legal framework that enables and protects market transactions. Banking reforms in the late 1980s created a two-tiered banking system of state and commercial banks while state enterprise reform in 1989 removed or reduced subsidies to state enterprises. The Land Law established in 1993 provides long-term usufruct and land transfer rights for agricultural, forestry, commercial/industrial, and residential land (World Bank 1993c).

Institutions originally established to implement central plans are also being transformed rapidly, as decisions on capital and resource allocation shift to the market. For instance, the State Planning Committee, previously a key body in central economic planning, is now coordinating and directing foreign aid and development projects. Other ministries are likewise assuming new roles – building infrastructure and fostering a favorable investment climate.

Market reforms have fed rapid economic expansion. Between 1986 and 1990, Vietnamese GDP grew at an annual rate of 5.1 percent; accelerating to approximately 8 percent per year since 1992. Between 1987 and 1989, rice yields increased by 26 percent transforming Vietnam from a net importer of rice to the world's third largest exporter. Moreover, industrial growth exceeded 14 percent per year in 1993 and 1994 (EIU 1995).

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**Table 2**

*Foreign Investment in Industry  
1987-1993*

Power	38%
Machines	15%
Building materials	12%
Other light industry	12%
Food stuffs	11%
Textiles	9%
Chemicals	3%
Total	<hr/> 100%

Source: Kim, Tran Hoang. 1994. *Economy of Vietnam – Review and Statistics 1994*

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International actors also increasingly affect economic changes in Vietnam. 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 growing 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. Table 2 shows the breakdown of FDI by industry.

While it can be argued that these shifts are leading to a more "efficient" allocation of capital, there are important non-market impacts as well. For instance, as table 3 highlights, two natural resource-based sectors – oil and gas production and food processing – are growing much faster than other sectors. This change in the structure of industry is likely to exert new pressures on resource use, as well as increase the potential for adverse environmental impacts including oil spills and increased Biochemical Oxygen Demand (BOD) in rivers.

**Table 3**

*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*, 153, Table 57.

To summarize, there are three key economic transformations underway: (1) expansion of economic activity; (2) a changing state role in economic activity; and (3) shifts in the structure of the economy (and particularly in industrial production).



## Environmental Policies

Environmental concerns are not new to the Vietnamese government. At the conclusion of the war in 1975, the government began a program of reforestation and rehabilitation of lands damaged by defoliants and other war impacts. Environmental protection, however, was a relatively low priority. The costs of environmental protection activities were generally viewed as non-productive investments. For example, virtually no capital was invested in wastewater treatment systems or other pollution controls for new factories. In general, the Vietnamese state promoted the "rational utilization" of natural resources for productive activities and capital accumulation (Can 1994).

With market reforms and the declining importance of state-owned enterprises in production, internal conflicts over resource use and environmental protection are taking new forms. The Vietnamese government is slowly establishing regulatory structures to protect the environment. This change has significant impacts for those who stand to gain or lose from resource use.

Concern for the environment has intensified among bilateral aid agencies and international lending agencies such as the World Bank and Asian Development Bank. These organizations as well as other non-governmental organizations (NGOs) lobby for the inclusion of environmental protection measures in development projects. The World Wildlife Fund (WWF) and the International Union for the Conservation of Nature (IUCN) are working closely with government agencies to develop environmental policies and implementation programs. Individual donor countries such as Sweden, Finland, and Canada are also playing an important role in promoting the development of environmental institutions and policies in Vietnam.

Within Vietnam, local demands have played a critical role in the implementation of environmental policies, particularly at the city and provincial levels. Local residents, experiencing the impacts of urban congestion and crowding, increased industrial pollutants, and degradation of natural resources critical for cultural and social patterns of life are politically active with respect to environmental issues. Although Vietnam's primary environmental protection legislation contains few references to public participation, public complaints regarding environmental problems are accepted as legitimate forms of input to local People's Committees. Indeed, local input drives the programs of the Ministry of Science, Technology, and Environment (MOSTE) and local Environment Committees. The media also publicizes criticism and concerns about factory practices that have negative environmental impacts.

Public complaint systems were more straightforward under the central planning system. Mechanisms existed for bringing public pressure to bear on state and private industrial enterprises, even if it increased manufacturer's costs. 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 increased market competition, there are likely to be new constraints on the government's ability to respond to 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, largely based on a Western model of environmental regulation, is a massive undertaking. State responsibilities range from setting standards 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 does it identify any agency with responsibility for enforcement. 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. 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.

The EPL also does not give any central agency the responsibility for policy formulation and inter-agency coordination and monitoring. 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 Industry (Mol) which continues to directly manage industrial enterprises, and now must regulate its own factories on environmental grounds. Mol 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 Environment Committees appear to be the most active players in environmental monitoring, regulation, and control in Vietnam today.<sup>1</sup> The Hanoi Environment Committee has a professional staff of approximately thirty, and the Ho Chi Minh City Environment Committee has a staff of forty. 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 construction of new factories outside of the city. The 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 operating under significant constraints (Thanh 1993, 64). Lack of trained personnel is a severe constraint on effective implementation of environmental policies. The National Environment Agency had 28 staff members 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 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 relocating factories.

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

### **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). 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. The specific conditions in Vietnam directed the Communist Party to focus its initial efforts toward agricultural rent reductions and later land reform in order to win the loyalty of peasants (Vickerman 1986). From the 1950s to 1975, the

war served to mobilize and unify much of the population. At the end of the war, the Vietnamese leadership again focused on agrarian reform and social equity for the peasant classes.

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 than the general population 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, particularly long-term investments such as health, education, and rural infrastructure; reduced transfers from the central to 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 the land tenure system, and the movement of households from agricultural to non-agricultural activities (Long 1993, 194).

By 1990, rural inequalities became 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). 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 no longer function. 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).

Under the reforms, responsibility for financing health care has shifted from central to local governments. 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.

Poverty reduction is now to be achieved primarily through economic growth. As the World Bank notes, however,

efforts at broad based economic growth and regional development are presently limited ... 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, concerned with social and political stability is under considerable pressure internally to respond to increasing socioeconomic differentiation. Pressure from the military and veteran community (there are more than 8 million veterans, many of whom are disabled) has influenced government policies on cooperative structures and social redistribution programs (Long 1993, 202). In certain regions, peasants continue to play an active role in demanding changes in government policies and programs (Luong 1994).

State policies are shifting toward programs to regulate the market system, such as the labor law passed in June 1994 to codify workers' rights in state and foreign firms. The labor law was motivated by both internal and external demands for mechanisms to settle 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 increasing social differentiation, state policies designed to promote social equity and cohesion are shifting toward: (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 economics.

### **Integration of Policies in Vietnam**

Political and socio-economic changes in Vietnam are causing government priorities to shift between economic development, environmental protection, and social equity. The move from central planning to market exchange 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 objectives of economic development, environmental protection, and social equity can be connected instrumentally in the single social goal of sustainable development. However, policies and institutions have historically not taken 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.

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 on global concepts of sustainable development, and partly on 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 becomes less encumbered, resulting growth will have both positive and negative effects. 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 agencies,<sup>2</sup> and to some degree internal demands to stop the worst polluters, but are specifically designed to minimize negative impacts. This would be a rational

policy design from the perspective of a government that justifies itself through rapid economic growth.

The attempt to promote and regulate manufacturing firms simultaneously 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, seen as a key to increased intensification of agriculture and a means to reduce dependence on foreign imports is a priority industry for the Vietnamese government. As such, state-owned fertilizer factories such as Lam Thao continue to receive subsidies and concessional loans from the government. The Ministry of 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 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 People's 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 residents continue to complain about environmental conditions, pressuring the People's Committee to take action. At the same time, the Ministry of 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 given priority over 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 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. 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 to which the public forces local authorities to respond.

### **Potential 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. 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, at least, a rhetorical 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) are actually late-industrializer benefits for Vietnamese policy-makers. 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 opportunities 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.

Local-level efforts will also be essential to the balancing of objectives. Local and provincial regulations may continue to 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. At the same time, local governments can be susceptible to political pressures which skew outcomes toward certain interests.

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.

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.

### Summary and Conclusions

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.

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 environmental legislation, 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.

Though Vietnam has been tossed and turned by global and internal 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

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economics, environment, and equity. As Beresford notes the government can be flexible:

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 countries, is to increase this flexibility and to further incorporate the needs of its citizens in integrating the objectives of economic growth, environmental protection, and social equity during development.

### NOTES

- <sup>1</sup> This assessment is based on interviews with city, provincial, and national environmental authorities.
- <sup>2</sup> 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.

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