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# Forward thinking on the environment and economic development in Vietnam

## **Abstract**

### Extract:

Ironically, the very fact that Vietnam had suffered such extensive damage in the Vietnam War has meant that it's government is very proactive in it's attitude to environmental policy, in spite of the desire for foreign investment and modernization.

## **Keywords**

environment, sustainability, ecology, economics

## CONFERENCE REPORTS:

### FORWARD THINKING ON THE ENVIRONMENT & ECONOMIC DEVELOPMENT IN VIETNAM

Ironically, the very fact that Vietnam had suffered such extensive damage in the Vietnam War has meant that its government is very proactive in its attitude to environmental policy, in spite of the desire for foreign investment and modernization<sup>1</sup>. Likewise, the late acceptance of Vietnam into the international community, largely due to the policies of the United States in refusing to fully recognize its government and engage in open trade policies, has meant that the tide of foreign aid and investment has been somewhat slower than in neighbouring countries such as Thailand and Indonesia<sup>2</sup>. While regional countries such as Australia, Japan and

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1. In general terms, the code for foreign investment is quite liberal, and developed after an extensive study of the laws in fifty countries, inclusive of Singapore and South Korea ("Vietnam Steers a New Course", *Asiaweek*, 12 July 1987, p63). The 'Foreign Investment Code, adopted by the National Assembly in 1987, allows fully foreign-owned enterprises to be established. It guarantees that companies will not be nationalised, lets foreigners manage firms, and offers tax breaks to tempt overseas investors.' ("Queen of Capitalism", *Asiaweek*, 31 March, 1989, p61). As of 1990 tax rates on investment ranged from 15-25% (*Far Eastern Economic Review*, "Vietnam", *Asia 1990 Yearbook*, 1990, p247). Likewise, from 1987 Vietnam has sought to improve its relations with the International Monetary Fund, damaged after a default on US\$90-130 million in 1985 ("Hanoi's Saigon Solution", *Asiaweek*, 5 February, 1988, p42; *Far Eastern Economic Review*, "Vietnam", *Asia 1990 Yearbook*, 1990, p246). Through 1990 there was still considerable pressure from the U.S. on the IMF and the World Bank not to give loans, though the Asian Development Bank was generally more positive (*Far Eastern Economic Review*, "Vietnam", *Asia 1990 Yearbook*, 1990, p244). From early 1989, Vietnam 'resumed interest rates on the arrears' of US\$135 million, making an initial payment of US\$10 million (Williams, Michael "Vietnam", *World Economic and Business Review 1990*, Oxford, World of Information", 1990, p723.). U.S. policy began to thaw once the Vietnamese withdrew from Cambodia and the Vietnamese co-operated in the search for MIA's or MIA graves (soldiers 'Missing in Action'). One of the first serious indicators of a change in U.S. policy was the offering of US\$1.3 million of humanitarian aid to provide artificial limbs to Vietnam's war wounded ("US Gives \$1.3m to Boost Ties with Hanoi", *The Weekend Australian*, April 27-28, 1991, p21). Ongoing aid and loans remained severely limited through to 1993, once again due to caution in U.S. policy (See Hiebert, Murray & Awanohara, Susumu "The Next Great Leap", *Far Eastern Economic Review*, 22 April 1993, p68). Once U.S. and international finance arrangements are normalised, the IMF might offer Vietnam loans in the range of US\$50-100 million a year, the World Bank could supply US\$300-350 million and the Asian Development Bank might lend approximately US\$250 million dollars each year (Hiebert, Murray & Awanohara, Susumu "Ready to Help: Agencies Prepare Their Menus of Projects", *Far Eastern Economic Review*, 22 April 1993, p71). Projections by the IMF and World Bank of direct foreign investment suggest this will rise from the US\$270 million in 1993 to US\$640 million by 1997, (Hiebert, Murray & Awanohara, Susumu "The Next Great Leap", *Far Eastern Economic Review*, 22 April 1993, p70).

2. Changes due to reforms in economic policy were noted as early as 1990, and were described by James Pringle in the following terms: 'The party has been moving to open up the economy. Peasants are tilling their own fields and Vietnam last year had a rice surplus that it exported. Queues outside shops have almost disappeared and consumer goods seem plentiful' (*The Australian*, 28 February, 1990, p13). For an example of an ex-guerilla who now runs a 'food, oil and banking conglomerate', see the account in "Queen of Capitalism", *Asiaweek*, 31 March, 1989, pp60-61. Growth in GDP passed 8% in 1992, (Hiebert, Murray & Awanohara,

Thailand have been willing to benefit from the absence of U.S. competitors, the result has been a comparatively slow take-off in Vietnam's economic open door policy<sup>3</sup>. Within this time frame, too, the enormous ecological impact caused by poorly controlled resource exploitation in several Southeast Asian countries has emerged, ranging from deforestation and soil erosion through to the problems of air and soil pollution. As a result, environmental concerns are alive and well in Vietnam<sup>4</sup>.

Dr. Nguyen Khac Kinh is Deputy Director of the National Environmental Agency, within the Ministry of Science Technology and Environment, situated in Hanoi. On 2 April 1994, during the *International Green Left Conference* held at the University of New South Wales in Sydney, Dr. Nguyen Khac Kinh spoke of the environmental problems of Vietnam, and outlined extensive national plans for the ecological reconstruction of his country. The following is a summary of some of the points raised by Dr Kinh. Contextual details and further reading have been added in footnotes to allow readers to pursue these issues further.

Dr Kinh noted that the country of Vietnam, even after unification of north and south, faces several general factors which exacerbate ecological problems. Essentially, Vietnam has limited natural resources combined with a high population growth rate. Furthermore,

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Susumu "The Next Great Leap", *Far Eastern Economic Review*, 22 April 1993, p69). By July 1990 changes such as a drop from earlier hyperinflation in 1988 down to relatively low rates allowed Russell Skelton to note that 'the speed and scope of economic reform has been genuinely radical' (*The Weekend Australian*, June 30 - July 1, 1990, p22). Low inflation rates were sustained through 1989-1992, 18% in 1992 (Hiebert, Murray & Awanohara, Susumu "The Next Great Leap", *Far Eastern Economic Review*, 22 April 1993, p69).

3. Vietnam has also actively sought investment and joint ventures with neighbouring countries such as Indonesia and Thailand, and private investment from Singapore ("Hanoi and Jakarta Fostering Closer Ties", *Asian Defence Journal*, 1/88, p100; Elson, John "Viet Nam Loosens Up", *Time*, 1 February 1988, p15; Hiebert, Murray & Michael "Asean's Embrace: Vietnam Premier's Trip Leads to Improving Ties", *Far Eastern Economic Review*, 14 November, 1991, p19). In 1992 some US\$300 million in aid was received from UN agencies and other groups, with Japan pledging a further US\$390 million. Ironically, there may be some advantages in Vietnam not immediately becoming dependent on large World Bank schemes, though many businessmen would argue that billions of dollars of aid are required to make the Vietnamese infrastructure and economy secure (see Hiebert, Murray & Awanohara, Susumu "The Next Great Leap", *Far Eastern Economic Review*, 22 April 1993, pp69-70). The U.S. had refused to give Vietnam 'Most-Favoured-Nation-Status', and the trade embargo was only eased, not lifted by the Clinton administration in September 1993, with many sanctions remaining in force until early February 1994 ("Clinton Eases Trade Embargo on Vietnam", *The Australian*, 15 September 1993, p7; "Vietnamese Gate Wide Open", *The Australian*, 5 February, 1994, p1). U.S. trade and investment is likely to pick up during the next 4-5 years. Some 34 companies already have been given permission to set up operations in Vietnam, with 50 applications 'pending'. (Chong, Florence "U.S. Decision No Magic Wand for Vietnam", *The Australian*, 9 February, 1994, p31). Likewise, a major U.S. investment fund has indicated potential investments in the order US\$ of 1.2 billion are either approved or being considered (Chong, Florence "U.S. Decision No Magic Wand for Vietnam", *The Australian*, 9 February, 1994, p31). Australia currently exports only \$75 million of products yearly, but this is likely to expand greatly once the Vietnamese economy is stimulated ("Vietnamese Gate Wide Open", *The Australian*, 5 February, 1994, p1). In this context, Prime Minister Keating's visit to Hanoi in early April 1994, and promises of extended aid programmes (some AU\$200 million over the next 4 years) has been well-targeted to further develop Australian-Vietnam relations at a time when the U.S. will become more important economically to Vietnam (Wright, Tony "Why Keating's Timing is Spot on for Hanoi Visit", *Sydney Morning Herald*, 19 February 1994, p27; Stewart, Cameron "PM's Regrets to Vietnam", *The Australian*, 12 April, 1994, p1).

4. Lansbury, Nina "Vietnamese Struggling to Save Environment", *Green Left*, March 30, 1994, p14.

considerable ecological damage has been experienced by up to one third of the country, leaving a range of serious war legacies and contemporary problems to be dealt with. Not only has there been demographic drifts into cities with over-stretched infrastructures<sup>5</sup>, but certain regions, such as the Red River Delta, to the east of Hanoi, suffer from extensive population pressure<sup>6</sup>.

Generally there has been considerable damage to forest areas, extensive soil erosion with subsequent silting up of dams and river systems, and related problems in agriculture and fishing industries. These problems have now begun to be exacerbated by recent economic development, with the result that more resources are used and the risk of environmental degradation continuing. Hence, the issue of past and prospective environmental damage has emerged as a major national problem needing immediate action. Vietnam sees its open door policy to foreign investment as crucial to the further development of the country<sup>7</sup>. At the same time, even before opening up the country to economic reform, it began to develop legal guidelines to help control the negative impacts of such development. For example, each major project will require an environmental impact study, using guidelines and procedures being developed by the Ministry of Science, Technology and Environment.

A wide range of factors have led to ecological damage in Vietnam. The first and main factor was the Vietnam War, in which the massive use of air power led to the spraying of 72 million litres of herbicides, and 13 million tons of bombs, with some 1.7 million hectares being affected. The use of saturation bombing also led to a loss of 20 million cubic metres of commercial timbers and over 300 million kilograms in food production. The pollution caused by the spraying of defoliants, in particular, has left serious soil damage and there has been limited success in replanting these forest areas, especially in the central-western region.

The war, however, is only part of the problem for Vietnam's environment. Shifting cultivation patterns by certain ethnic minorities are seen to be problematic for preservation of forests and for soil and water conservation, especially in the rugged north-west of the country. The Meo people, for example, use rotating slash and burn forms of agriculture that require the use of extensive lands to feed a single family. The Vietnamese government has already excluded them from small sectors of the forest, hoping to ensure that certain segments remain unaffected, especially in watershed areas. Likewise, the government has tried to encourage the Meo to adopt a more sedentary village life style, and provides both food and fertilizers in order to make this shift easier. Although there was some concern among the audience about the impact this would have on traditional Meo culture, Dr. Nguyen Khac Kinh indicated that the forest region was too crucial an ecological region to be left unmanaged.

There has also been a serious agricultural encroachment of farming into forest areas in other parts of Vietnam. This is often due to spontaneous immigration from the coastal regions by poorer farmers who seek to improve their standard of living by clearing new land. The result

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5. Infrastructure problems, such as poor roads, ports, telecommunications and electricity were still limiting the rate of foreign investment (Hiebert, Murray & Awanoara, Susumu "The Next Great Leap", *Far Eastern Economic Review*, 22 April 1993, pp68-69).

6. In 1989, it had 800-1000 people per square kilometre (Hiebert, Murray "Taking to the Hills: Massive Migration Changes the Face of Dac Lac", *Far Eastern Economic Review*, 25 May 1989, pp42-3).

7. This policy is part of a broader economic reform called *doi moi*, 'renovation', which has been running since reforms were introduced in December 1986 and whose leading architect has been the General Secretary, Nguyen Van Link (Hiebert, Murray "Changing faces: Personnel Moves Mooted for Communist Congress", *Far Eastern Economic Review*, 13 June 1991, p18).

has been some rolling back of forest. Unfortunately, some farmers engaged in these activities do not have sufficient knowledge to do this effectively<sup>8</sup>. Generally too, these forest regions have suffered from overhunting and the rivers from overfishing. At the same time, an illegal wildlife trade has developed recently in Vietnam, and depletes the rich genetic resources of the country through the export of rare animals and plants.

Timber is a major industry in Vietnam, and the government has introduced laws requiring reforestation after logging. Unfortunately, these procedures are not yet fully regulated, while an estimated 7000 hectares per year are logged illegally. A related problem has been fuel collection of wood from forest areas, which has gone beyond local use to collection for selling at village and town markets<sup>9</sup>. At present there is no easily accessible alternative for use in many villages. Lastly, forest fires have been a serious threat to natural resources, with some 20-30,000 hectares burnt out each year (with peaks of up to 100,000 hectares being affected), usually due to accidental fires which get out of control, e.g. fires lit while clearing land.

Aside from these specific problems, a wide range of other issues remains to be dealt with: over-exploitation of coral beds from the intertidal zone for lime manufacture, urban air pollution, and the need to preserve intact freshwater and marine ecologies. The government, however, has made considerable progress in the development of policies and laws to address these problems. This included, recently, the creation of the first National Park, and efforts to create reserves which cross national borders to the north and west. More importantly, in 1986 a plan for the use of national resources and co-committant environmental protection was adopted. The key emphasis was that environmental protection should proceed alongside economic development, not lag behind it and be dealt with much later on. In 1991 a National Plan for the Environment was ratified to cover planning and growth through the 1994-2000 period. One of its key foundations was the aim to reduce the annual population growth rate to 1.8% by the year 2000, and by 2050 to stabilize the size of the population<sup>10</sup>. In the long term, the plan will create 6

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8. In the case of rainforest areas, there is no guarantee the soil will remain fertile once cleared of the ecosystem which supported it. This uncontrolled migration, as distinct from government-managed migration schemes, destroys forests and leads to conflicts with minority peoples such as the Montagnard groups of the central highlands. From 1975-1989 some 550,000 people have taken part in government sponsored migration into this central region, while a total 3.5 million people have been resettled from high population areas into 300 special economic zones located throughout underdeveloped parts of Vietnam. Recently, most of these schemes have been voluntary, and are aimed at reducing unemployment, increasing internal food supplies, and encouraging cash crops such as coffee, rubber and pepper (See Hiebert, Murray "Taking to the Hills: Massive Migration Changes the Face of Dac Lac", *Far Eastern Economic Review*, 25 May 1989, pp42-3). After reforms introduced in 1980, rice production was able to rise from the 11.9 million tons reported in 1976 to 18.5 millions tones for 1986 ("Vietnam Steers a New Course", *Asiaweek*, 12 July 1987, p62), though there were still difficulties in securing the availability of rice to Vietnamese households in 1986-87 ("Hanoi's Saigon Solution", *Asiaweek*, 5 February, 1988, p42; Elson, John "Viet Nam Loosens Up", *Time*, 1 February 1988, p9).

9. Eventually the extension of electrical grids drawing power from hydroelectric power generated by dams in North Vietnam will reduce this problem (Lansbury, Nina "Vietnamese Struggling to Save Environment", *Green Left*, March 30, 1994, p14).

10. 1990-1991 estimates for population growth remained from 2.2 - 2.5% per annum, ranking Vietnam as at least the seventh fastest nation for population growth in the world, though the government has had considerable success in family-planning programmes which reduce the female fertility rate (Hiebert, Murray "In the Family Way - One Thing is Booming in Vietnam: Its Population", *Far Eastern Economic Review*, 22 April 1993, p72; Krien, Peter *SBS World Guide*, Melbourne, The Text Publishing Company, 1992, p538).

million hectares of protected forests (there are only 1 million at present), while creating 11 million hectares of sustainable production forests<sup>11</sup>. In general, the plan aims to increase considerably the forest cover of the country, which had been reduced significantly in last forty years. It is hoped to improve forestation from the current 27-28% up to 40%. Current land use, of course, is regulated by the state, but the government allows the long term lease of land to cater for foreign investment. It aims, however, to regulate environmental impacts, and to set effective guidelines for all investors, whether internal or international.

Within the cities of Vietnam there is also a particularly strong emphasis on recycling<sup>12</sup>, with virtually all reusable items being sorted and then picked up from households. The Department has also developed a wide range of curriculum and educational packages at all levels to increase environmental awareness, and has run numerous workshops. It has also developed programmes to hire local peoples to protect designated forest areas. It sees international cooperation as crucial to the success of its environmental programmes. Its bans on the exporting of some rare examples of flora and fauna, for example, have been helped by international cooperation against the illegal shipment and sale of these species. The speaker noted that Australia has been very helpful in this field.

Although considerable progress had been made in all these areas, Dr Kinh also noted that much more information needs to be collected on the Vietnamese ecology, and extensive research projects are essential if many of the outlined problems are to be solved. Likewise, it seemed clear that the implementation of these national policies would need further commitments of staff and resources. International cooperation at all levels, whether with foreign governments, research groups or non-government-organizations (NGOs) should be further encouraged. In summary, it seems that Vietnam has combined an open and progressive economic policy with the active protection of its diverse and valuable ecology.

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11. Timber resources and oil are two of the main areas of foreign investment (Janssen, Peter "Economy Braces for Toughest Year", *Asian Business*, March 1991, p48).

12. Lansbury, Nina "Vietnamese Struggling to Save Environment", *Green Left*, March 30, 1994, p14.