

Issues and Dynamics: Urban Systems in Developing East Asia

Vietnam

Level and Rates of Urbanization

The population of the three largest urban areas, Hanoi, Ho Chi Minh City, and Haiphong, is expected to triple by 2020. The *rate* of urbanization is expected to remain above 3% per annum (the current rate is 3.06%) until 2020, after which it will decline slightly (to 2.5% in the 2025-30 period).

Based on UN data, 25% of people live in urban areas, which is forecast to rise to 35% by 2020.²⁶ The Government of Vietnam (Ministry of Construction) forecasts that the country will be 45% urbanized by 2020, a much higher forecast than the UN one. Even if the higher forecast proves correct, Vietnam will still be one of the least urbanized East Asian countries in 2020. Only after 2020 will the rural population start to decline in absolute terms, very late by East Asian standards, meaning that rural-urban migration pressures will remain strong over the next two decades.

Urban Poverty Dynamics

Typical of East Asian countries, poverty is concentrated in rural areas in Vietnam, particularly mountainous regions; 19.7% (2000) of rural people are classified as poor. By contrast 7.8% of urban people, totaling 265,000 households, are classified as poor.²⁷ As Vietnam moves through a double transition ([i] from rural to urban, and [ii] from a planned to market economy), impacts on urban societal groups have varied. Generally those in the foreign-invested sectors have fared better, as well as those who have retained jobs in the state sector. However, living conditions have deteriorated for many redundant public sector employees who have been forced to shift to the non-state, and often informal, sector.

Another vulnerable group is unregistered migrants. They usually have unstable jobs and have very limited access to social services and/or must pay more for these services, similar to the Chinese situation, although China is liberalizing its hukou system faster than Vietnam.

Although estimates of substandard housing vary widely, it is clear that slums are extensive and growing. For example, the Land and Housing Department estimates that at least 300,000 people live in slums in Ho Chi Minh City (HCMC) while 30% of Hanoi's population are living in very crowded conditions with living space per capita under three square metres. Soaring land prices (land prices increased by over 500% in both Hanoi and HCMC in the 1990s) will make addressing the housing problem an even steeper challenge, especially given the fact that approximately one million people will be added to Vietnam's urban areas each year for the next 20 years.

Physical Dynamics, Infrastructure, and Service Delivery

Environmental quality and urban sanitation are major problems facing Vietnam's cities, especially the larger ones, exacerbated by the high densities in core cities noted above. Water pollution is a major problem, the chief source being human waste; the situation is exacerbated by agricultural waste from upstream rural areas. Factories using outdated, heavily polluting production process technologies, often still located in core urban areas, discharge untreated wastes into water bodies. For example, in Hanoi 300 factories discharge untreated waste including chemicals, and some heavy metals, directly into water bodies but the city has no wastewater treatment facilities, and an aging waste water network serves only the oldest part of the city. Also, land subsidence is a problem in many urban areas caused by extensive non-sustainable tapping of groundwater.

Air pollution is also a major problem, from burning of fossil fuels and vehicles, especially motorbikes (including large numbers powered by polluting and noisy two-cycle engines) which number over two million in HCMC and one million in Hanoi. (Vietnamese cities have the highest number of motorbikes per capita in the world.) Land titling is limited (only 10% of private housing

in Hanoi has legal title) yet private houses account for 70% and 60% of all housing in Hanoi and HCMC respectively. As urbanization proceeds, poorly functioning land markets could constitute major problems constraining efficient urban development.

Competitiveness and Urban Economic Change

Typical of East Asian nations, the urban areas of Vietnam account for a disproportionate share of economic growth. It is estimated that urban areas account for 70% of economic growth, while containing only 25% of the population.

Vietnam's cities are currently undergoing transition from economies dominated by state owned enterprises (SOEs) to market driven economies; however, this process is proceeding slower than in urban China. SOEs are particularly important in Hanoi and HCMC, which together account for over half the national SOEs in the country.

Vietnamese urban economies are under triple stress. They are undergoing (i) strong demographic pressures resulting from rural to urban migration, (ii) economic / employment pressures associated with the transition from a planned to market economy, and (iii) similar to other Southeast Asia's cities, are being buffeted by strong external economic forces, described briefly in the Philippines section (above).

The Government is establishing Industrial Zones (IZs) in every province of the country to attract FDI, but if East Asian experience is a guide, only a few will succeed, probably those in the HCMC peri-urban area, the Hanoi- Haiphong-Hailong Triangle, and perhaps in the Cam Thoi area of the Mekong Delta. To date, HCMC has received 85% of FDI flowing to Vietnam. Developing East Asian experience indicates that industrial dispersal is often most successful when investment is concentrated in a few critical areas in outer regions to create "breakthrough clusters". In Vietnam, development of such economic clusters is still in its early stages, often firms, such as shoe making, are "stand alone", which makes it much harder for them to compete in terms of innovation supported by cluster learning dynamics, production costs that can be lowered through specialization within a cluster, etc. In other words, as equitable as the policy to locate an IZ in every province may be, it may actually have the counter-intended effect, ultimately leading to the more industrial concentration in the HCMC extended urban region.

It is not clear whether Vietnamese peri-urban areas will be able to capture significant amounts of export oriented manufacturing, as Thailand and Malaysia were able to do earlier in their development trajectories. Although recent data indicates positive trends, it will be more difficult to develop a strong export oriented manufacturing economy over the next decade than it was in the 1985-1997 "Golden Age of Manufacturing" period in Southeast Asia. This means that there will be an even greater premium on human resource development and urban competitiveness than was previously the case in Southeast Asia. Tourism continues to offer considerable potential for growth not just in the two largest cities, but also in several intermediate sized cities such as Hue, Danang, Hailong, and Dalat.

25. Information in this section was largely drawn from Douglass (2002). For a detailed history of urban planning in Hanoi, see Logan (2000).

26. United Nations (2002c).

27. For details see: The Socialist Republic of Vietnam (2002), Section 2.4