

SUSTAINABLE DEVELOPMENT OF URBAN INDUSTRIAL PARKS DURING THE INDUSTRIALIZATION AND MODERNIZATION

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1. An overview

In the past 20 years of economic reform, Vietnam gained many achievements: high and stable growth rates, improved living standard, and better social order. This progress is based on development of all sectors, especially the manufacturing one. Industrial parks and export processing zones (referred to hereafter as IPs for short) have played well their roles in the industrial development, accounting for some 25% of industrial output and this figure kept increasing in recent years.

IPs came into being and developed along with the economic reform. After the 1986 VCP National Congress, new ways of thinking were introduced, and in economic management, the centrally-planned mechanism was replaced by a mixed market economy, and a new generation of IPs came into being replacing old-styled ones as centers for companies and factories of all forms of ownership.

Existence of the bulk of subordinate legislation relating to the IPs shows importance of tasks of planning, building and running the IPs.

In 1991, Tân Thuận Export Processing Zone came into being. On Oct. 18, 1991, Decree 322/HDBT providing a statute of export processing zones was issued. On Dec. 28, 1994, Decree 192/CP introducing a statute of industrial parks was promulgated, followed by a series of policies and programs to direct and encourage development of IPs. Resolutions passed by VCP National

Congresses since 1986 have provided a set of policies and views on development and role of IPs in “building a basis for Vietnam to develop into an industrialized and modernized economy by 2020” as put it by the Resolution of the 10th VCP National Congress.

Developing the IPs as instruments for industrializing and modernizing the economy and creating a firm basis for development of productive forces during the international integration and globalization has been the consistent approach to economic development taken by the central government and VCP as well. By adopting creatively this approach, most provinces have built IPs to attract both foreign and domestic investment. Up to May 2010, 251 IPs have been established in Vietnam, and 170 of them have come into operation while 81 others are under construction or waiting for land clearance.

Developing the IPs has become an effective means of mobilizing the capital and employing sources of capital, technologies and managerial skills from international investors for Vietnam’s economic growth.

Foreign investment has constituted a turning point for local economy in the past two decades, and supported strongly achievements of strategic goals of the economic reform.

Numerical data in the Table 1 show remarkable increases in various aspects of IPs in Vietnam in recent years.

Table 1: Development of IPs

Indicator	2005	2009	Compared with 2005
- Number of IPs	122	249	204.09
- Operational IPs	69	162	234.78
- IPs under construction	53	87	164.15
Area for lease (ha)	16,663	38,858	233.19
Leased area (ha)	7,433	19,904	267.77
Occupancy rate (%)	44.61	51.22	6.6 percentage points
Number of investment project	3,555	6,773	190.52
FDI			
- Registered capital (US\$ mn.)	66,244.4	192,726.50	293.5
- Realized capital (US\$ mn.)	33,315.4	66,945.5	200.94

Source: Thời báo Kinh tế Việt Nam (2010), Kinh tế 2009 – 2010 Việt Nam và Thế giới (Vietnamese Economy and the World in 2009-2010), and author's calculations

Statistics show that in the past 20 years, the number of IPs rose quickly, by 204.09% in the past five years. The foreign investment was distributed rather evenly among key economic zones, which helps form a network of IPs and support local economic development. Of 249 licensed IPs, 162 ones have come into operation. Foreign investment in these IPs rose from US\$66,244.4 million in 2005 to 192,726.6 million in 2009, which made the share of foreign sector in the gross investment increase from 14.93% to 25.5% in this period.

Although time of development of IPs is not long, they prove to be leading units in industrial production and producers of breakthroughs in industrialization, modernization and international integration. The following are some results of the effort to develop the IPs in the past two decade.

- Large investments have been mobilized from both local and foreign investors for the industrialization and modernization.

- IPs played important roles in changes in local structure of industry, diversification of industries, improvements in technological development and competitiveness of local products, and development of international cooperation.

- Infrastructure in provinces where IPs operate has been modernized and upgraded, which helped modernize the infrastructure at national level.

- IPs employ effectively the infrastructure to promote production and export, and cooperation between provinces and zones.

- IPs helped create new jobs, disseminate new knowledge and implement social policies.

- Application of new technologies and technical advances by IP companies has been improved, thereby reducing environmental issues.

These results show that the development of IPs in the past two decade achieved an initial success. However, difficulties and challenges are still in store for them because establishment of IPs is not based on a master plan, and at provincial or zonal level, plans to develop the IPs are not consistent and rational, which leads to scattered investment, waste of resources, and damage to the environment.

Concept of sustainable development made its appearance in 1980 and is now widely accepted. We could conceive it as a way of meeting the needs of the present without compromising the ability of future generations to meet their own needs.

The sustainable development is an urgent need and an inevitable trend in the socioeconomic development and it can be achieved by implementing a sustainable development strategy in every industry, field, and province, including the IPs.

According to the general concept of the sustainable development with proper attention paid to characteristics of the IPs, we can think of a sustainable development of IPs as an effort to ensure a stable and increasingly effective economic growth for IPs, protect the environment, improve the quality of life, and ensure social order and na-

tional defense in provinces that house the IPs all over the country. Model of sustainable development of urban IPs is the best option to build large-scale IPs, develop them intensively, enhance their performance, changes their internal structure by modernizing the technologies and beefing up their competitiveness, and reduce negative effects on the environment.

2. Characteristics of sustainably-developed urban IPs

The sustainable development of IPs should be included in the national sustainable development with proper attention paid to characteristics of IPs as forms of production in a specific territory. Thus, the model of urban IP should satisfy the following requirements:

- Economically sustainable development: Such IPs, first of all, should gain high performance. In other words, urban IPs should make the best use of available resources, increase the added values and profits for IP companies and IP developers as well, and improve the living standard of IP workers and residents in urban areas as suppliers of goods and services for the IPs.

- Socially sustainable development: Urban IPs, besides gaining high performance, should support and act as a dynamic of social progress in the locality of the IPs. The sustainable social progress reflects itself in education, public health care, and cultural activities, etc. Namely, IPs should create new jobs, thereby reducing unemployment rate, social evils and property in urban areas. Development of urban IPs will support growth of various services, such as education, banking, public health care, and entertainment, thereby improving the quality of life for IP workers and local residents.

- Protection for the environment: This is a precondition for sustainable development of urban IPs. IPs with good infrastructure, especially waste treatment systems, will certainly attract various industrial concerns, which saves a lot of initial investment and facilitates control over waste substances, thereby maintaining ecological balance in the area.

- Relations between three above-mentioned aspects: urban IPs should ensure harmony between economic, social and environmental requirements. Economic growth should be considered as a physical basis for social and environmental improve-

ments. Economic and social activities take place in a favorable environment while favorable or unfavorable conditions for such activities provided by the latter are determined by effects caused by the former for the latter. Improved quality of life and social progress will lead to higher investment in production and environmental protection. Characteristics of sustainable development of urban IPs concentrate on interactions between those three aspects.

Process of developing sustainably-developed urban IPs, however, is affected by various factors that can be divided into two groups: internal factors and external ones.

The internal factors comprise geographical location of the IP, quality of IP planning, IP area and occupancy ratio, registered capital, realized capital, business performance of IP companies; technologies applied by IP companies, investors' ability to meet market demand, scope and specialization of the IP, and economic cooperation undertaken by IP companies.

The external factors comprise quality of human resource, level development of surrounding urban areas, technical infrastructure inside and outside the IP, and influence of the IP.

We can see that these factors interact and contribute to performance of urban IPs. An urban IP develops in a sustainable manner when all of these factors are taken into account when making decisions on location, scope, and specialization of the IP with a view to making it appropriate to local conditions and features, thereby ensuring good and sustainable performance for the IP, and social progress and environmental protection for the locality.

3. Sustainable development of urban IPs during the industrialization and modernization

Urban IP is still new to many countries and Vietnam as well and there are different ways of conceiving it. Generally, an urban IP is an area with specific boundaries zoned for industrial development. It is usually outside urban resident areas and has access to communications, especially highways, railroads, airports and sea or river ports.

Urban IPs usually aim at: (1) offering optional choices in industrial development; (2) limiting unnecessary conflict between uses of land (for farm-

ing, residence, industrial purposes, or public works); and (3) generating chances of developing manufacturing and services sectors.

Establishment and development of urban IPs are affected not only by general factors, such as natural conditions, communications, labor force, and ecological system, but also by specific ones, such as population density, social and technical issues of urban areas. In developing the urban IP, all of these natural and social factors should be taken into consideration, especially views of central and local governments on local and regional conditions. Proper attention should also be paid to other factors that can affect development of the IP after its establishment are communications between ITs and urban areas, public awareness, environmental protection, among others.

In Vietnam, concept of “sustainable socioeconomic development” is still new but it has been soon absorbed and applied at different levels to different fields. Vietnam has committed itself to the Agenda 21 and started the VIE/01/021 project to support the building and implementation of Agenda 21 in Vietnam.

The sustainable development has become part of government and VCP line and policy. Resolution of the 9th VCP National Congress affirms that Vietnam should “develop in a fast, effective and sustainable manner, and link the socioeconomic growth with social progress and environmental protection, thereby ensuring harmony between artificial and natural environments and biodiversity.”

In current conditions in Vietnam, the number and size of IPs are on the increase as the economy develops. The role of urban IPs becomes increasingly important to and instrumental in developing

the economy in a sustainable manner as suggested by the national strategy and international trend.

Regarding the whole economy, urban IPs play a leading role in attracting sources of investment, enhancing effectiveness of employment of natural and human resources, developing and employing effectively the infrastructure, limiting pollution and protecting the environment, facilitating the large-scale production, accelerating application of technical advances, and speeding up the industrialization and modernization.

In social aspect, the urban IPs help create favorable environment for local residents, make the economic development harmonize with urbanization, improve the quality of life, and limit negative effects of social issues.

The IP is a model of economic development adopted widely by many countries with various forms based on their own conditions and requirements in specific periods. During the industrialization and modernization in Vietnam, developing the urban IPs is particularly important. It serves as a basis for socioeconomic development, industrialization and modernization and support a sustainable development of socioeconomic life■

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