

THE IMPACT OF INTERNATIONAL INTEGRATION ON URBANIZATION IN VIETNAM¹

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Abstract

Are the International integration and Urbanization closely related in the process of comprehensive development both economy and society? How does the integration affect the urbanization process in Vietnam? The question is how to effectively integrate and facilitate the process of urbanization in Vietnam has developed rapidly and ensuring sustainability. This article will show how urbanization in Vietnam over the years has been impacted by integration? On that basis, propose some suggestions for sustainable urban development, enhancing competitiveness and deep integration in the international arena as well as improving the quality of urbanization in Vietnam.

Key words: International integration, Urbanization

1. Introduction

In the current context, international integration is not only limited in an area such as economics and tariffs, but also has been extended to all areas of life - social, cultural, commodity markets, service, competitiveness of the economy. Vietnam's economy has changed relatively positively over the years. We have made deepening international economic integration. The growth of import and export is high and stable, and FDI inflows are relatively strong, which spurred a very strong economic growth. The share of exports in GDP in recent years has reached nearly 50% while the share of FDI in GDP has also reached nearly 14%. The process of integration has shown that Vietnam's products can compete and have a place in many international markets. Vietnam's products are present in more than 100 countries in the world, of which the major markets are the United States (18%), EU (17%) and ASEAN (16.8%) (According to statistical yearbook, 2010). In recent years in our country, urbanization has been strong in all localities and particularly strong in big cities like Hanoi, Hai Phong, Da Nang, Ho Chi Minh and Can Tho. According to the data of Ministry of Construction, in 2017, our country has about 805 urbans, of which, there are 2 special urban as Hanoi and Ho Chi Minh, 17 grade-I urban centers, 23 grade-II urban centers, 43 grade-III urban centers, 77 grade-IV urban centers, and the rest are grade-V urban centers. The total area of urban land in the whole country is about 330,610 ha (equivalent to 1% of the country's land area), of which inner urban land accounts for about 125,000 ha (about 40% of the total urban land area). Urban areas account for 1% of the natural land with 35% of the population, but the urban economy contributes over 70%

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of GDP annually to the economy. These figures show the role of the urban economy in our country. So is the growth economy accompanied by an increase in urbanization and a change in social progress? In the world, there are some authors who have studied the effects of urbanization on socioeconomic status or factors affecting urbanization. For example, some case studies such as Gaurav Datt Martin et al. (2016) have shown that economic growth and urbanization have an impact on poverty reduction in India. Or Edward L. Glaeser (2013) analyzed the causes and consequences of urbanization. The author points out that urbanization increases the pressure on agriculture. The challenge for urbanization is poverty and weak governance capacity that will affect the addressing the negative effects of urbanization such as population density, or the relationship between urban scale and institution. The author also points out that if a city with a large population (high urbanization) and a weak governance capacity to mitigate negative impacts, arbitrary policies are applied and consequently social disorder. However, the relationship between international integration and urbanization is not mentioned.

Vernon Henderson (2013) analyzed the factors influencing to the urban concentration, the author points out that income influences urban concentration firstly, followed by investment in infrastructure, and political decentralization all affect urban concentration. The author also points out that open economies, or trade liberalization do not affect the urban concentration with data from 72 countries in the world

Choe (2005) pointed that globalization is important for urbanization and urban economic growth because it affects spatial allocation of resources and creates spatial impacts. Factors that affect allocation of resource include overall population growth and distribution, population distribution among large and small cities, communication and other technologies, scale economies and diseconomies of cities, industrial composition, changing comparative advantages of cities, demographic factors, and income growth and distribution. Cohen's (2004) excellent review of global literature on urban growth in developing countries provides with characteristics of urban growth in a global economy. Drivers of globalization are identified with technological changes in transportation and communication, reduced need for spatial proximity of firms and industries and increased mobility of factors of production. The combined impact of these changes are related to new international division of labour, increased trade and investment, growing transnational communications and expanding cross-border alliances between businesses and industries. The benefits of globalization include spread of technology and management expertise, efficient use of factors of production, expansion of markets and greater opportunities for wealth creation. Risks of globalization are associated with loss of local income and jobs as a result of external shocks and competition from imports and rising inequality with spatial and social segmentations

A preliminary link between globalization and broad changes in cities and city-related policies is described by Mathur (2005). Lack of international trade data at sub-national levels limits the measurement of globalization for fifteen states and six cities only by the amount of inflow of foreign direct investment. Post-globalization urban growth is described by changes and growth in urban population and changes in share of employment in manufacturing and service sectors. Absence of primacy is distinguished as an important

characteristic of India's urban system. Changes in spatial structure are identified with transformation of urban space in use and form, such as commercial spaces for shopping and office space for MNCs and financial institutions, and mushrooming of high-quality residential and office space bordering major cities. Absence of appropriate reform in policies that govern urban land markets is considered a key constraint in the globalization period. In addition, globalization period underlines a paradigm shift in city-level policies for provisioning of municipal services and infrastructure in terms of debt financing, public-private partnerships and cost-recovery based pricing. Kundu (2006) explored the unequal economic base between class I cities (million plus cities) and medium towns (50,000 to 1 million population) and small towns (less than 50,000 population) in terms of employment, consumption and poverty. These inequalities are considered as consequences of large cities' capacity to attract national and global investors and link with national and world markets, and decline in public investment in infrastructure and basic amenities for small towns. Thus, a case is made for providing special capital support to the less-developed states that are not in a position to allocate requisite funds to medium and small towns for improvements in their infrastructure and amenities and for enhancement of their attractiveness for private investments and business

2. Method

The article uses statistical, described methods to analyze the influence, evaluate the role of the process of international integration to the process of urbanization. In addition, inheriting selective domestic and international researches have announced related to this topic: Collecting and researching domestic and international documents about Vietnam's international integration and urbanization. The article uses data and information selectively published in mass media. This article will answer the question Are the International integration and Urbanization closely related in the process of comprehensive development both economy and society? How does the integration affect the urbanization process in Vietnam?

4. Discussion and Conclusion

4.1. Actual situation of urbanization in Vietnam

Table 1 shows that after more than 30 years of renovation, Vietnam has linked the process of urbanization with the process of industrialization and modernization and gained many important achievements.

Vietnam's urban system has rapidly developed in terms of quantity and quality; the urbanization rate has increased from 19.6% with 629 urban in 2009 to 37% with 805 urban as of April 2017 (Ministry of Construction, 2017)

Table 1: Urbanization rate (proportion of urban population) in Vietnam during 1940-2017

Year	1940	1951	1960	1970	1979	1989	1999	2009	2013	2014	2015	2016	2017
%	8.7	10.0	15.0	20.6	19.2	22.0	23.5	29.6	33.47	32.8	35	36.6	37

Source: Ministry of Construction, 2017

Urban area accounts for 70% of total GDP, bringing industrial production value, import-export value, scientific and technological advances, spread and promote the socio-economic development in the region and throughout the country.

However, the rate of urbanization by region is very different, see table 2

Table 2: Urbanization rate by region in Viet Nam between 2009 and 2014

Region	Urbanization rate (%)	
	2009	2014
Whole contry	29.6	33.1
1. Northern midland and mountain areas	16.0	17.0
2. Red River Delta	29.2	33.8
3. North Central and Central coastal areas	24.1	27.1
4. Central Highlands	27.8	29.1
5. South East	57.1	62.3
6. Mekong River Del	22.8	24.7

Source: General Statistics Office over years

Table 2 shows that in 2009, the urbanization rate of the whole country was 29.6%, the South East has the urbanization rate twice as high as the urbanization of the whole country. The Red River Delta is second only to the urbanization of the country. The lowest level of urbanization is in the Northern Midland and Mountain areas, with 16% accounting for only 54% of the urbanization of the country. After 5 years, the rate of urbanization nationwide increased by 3.5%, the fastest urbanization remained in the South East, increasing by 5.2%, followed by the Red River Delta increasing 4.6%, the North and South Central Coast has the third highest rate of urbanization with 3%. The region with the slowest rate of urbanization is the Northern Midlands and Mountains, increasing only 1% after 5 years, followed by the Central Highlands with 1.3%.

However, as in many other developing countries, Vietnam's urbanization process faces many difficulties and challenges. The rapid pace of urban development has surpassed the capacity of local government, inconsistent development between technical infrastructure and social infrastructure, uncontrolled migration, the gap between the rich and the poor, the urban - rural linkage, the saving of natural resources...

In addition, Vietnam also faces emerging global issues such as integration, urban competitiveness, climate change, rising sea levels

4.2. Impacts of international integration on the urbanization process in Vietnam

4.2.1. Promoting urbanization associated with industrialization

Urbanization-increasing the densities of people and production in cities and towns - is one of the most striking features of economic development. Incomes tend to rise, especially when accompanied by increases in the contribution of industry and services to

economic activity and jobs. Indeed, Vietnam’s extensive urban transformation over the past three decades has levered its economic development. In 1986, the country had fewer than 12 million urban residents; now it has more than 30 million, and urban areas contribute more than half the gross domestic product (GDP). Urbanization and industrialization are dependent, complementary to each other. Clear evidence of this combination is increase rapidly in number of industrial parks in Vietnam along with the urbanization process. Specifically, in 2000 Vietnam had 33 industrial parks, in 2008 the total number of industrial parks nationwide is 219 and in mid-2011 is 260 with a total area of 72,000 ha. Between 2000 and 2008, each year, an average of 21 industrial parks were built in Vietnam. According to the report of Department of Economic Zones Authority, Ministry of Planning & Investment, by the end of May 2017, 325 industrial zones (IZs) were established with the total area of 94.9 thousand ha. The area of industrial land for lease is 64 thousand ha, accounting for 67% of total land area.

In which, 220 industrial zones have been put into operation with a total natural land area of 60.9 thousand ha and 105 industrial zones are in the process of compensation for site clearance and basic construction with a total area of 34 thousand ha. The occupancy rate of the IZs was 51.5%, particularly in industrial parks which have been put into operation, the occupancy rate was 73%. In terms of attracting investment, IZs have attracted 375 newly registered foreign investment projects and increased capital with total registered investment capital of nearly \$ 6.2 billion and 318 domestic investment projects and adjusted for capital increase for 115 projects with total new and additional investment capital of 108,000 billion dong.

4.2.2. Promoting urbanization has positively changed the economic indicators

The income of the people has improved in line with the integration process as well as the speed of urbanization. Specifically, in Table 3, after seven years, the level of people's income increased approximately 2.6 times. The import-export situation is relatively good

Table 3: Some indicators of integrated economic development of Vietnam

Indicators	Unit	2008	2009	2010	2011	2012	2013	2014	2015
1. GDP	Billions VND	1.616.047	1.809.149	2.157.828	2.779.880	3.245.419	3.584.262	3.937.856	4.192.862
2. GDP / capita	Millions VND	18.9	21.1	24.8	31.6	36.5	39.9	43.4	45.7
3. Total export turnover	Billions USD	62.7	56.5	71.6	96.9	114.5	132.1	150.2	162.11
4. Export growth rate	%	29.1	-11.5	25.5	26.1	15.37	17.6	12.05	7.9
5. Total import turnover	Billions USD	80.7	67.5	73.6	106.75	113.78	131.67	147.66	165.65
6. Import growth rate	%	28.5	-16.4	9.0	31.1	6.1	13.5	10.82	12.00

Source: General Statistics Office over years

We have made deepening international economic integration. Import and export growth is high and stable, and FDI inflows are relatively strong, which has spurred a very strong economic growth. The share of exports in GDP in recent years has reached nearly 50% while the share of FDI in GDP has also reached nearly 14%. In early 2007, Vietnam became a full member of the WTO after more than 10 years of negotiations and 20 years since the implementation of the policy of renewal. As a member of the WTO, Vietnam enjoys the most favored nation status of all other members (eliminating quotas on exports), and at the same

time, Vietnam must also apply WTO rules. WTO accession is a crystallization of a long process of economic reform and international integration of Vietnam, beginning a period of strong international trade development. The opening process of integration has shown that Vietnam's products can compete and have a place in many international markets. Vietnam's products are present in more than 100 countries in the world, of which the major markets are the United States (18%), EU (17%) and ASEAN (16.8%).

4.2.3. Promoting urbanization to reduce poverty

In terms of poverty reduction, our country has made certain achievements. Look at table 4, we see that the poverty rate has decreased markedly, in particular, in 2014 compared with 10 years before - 2004, especially after 07 years of joining the WTO, the poverty rate has decreased nearly 3 times. This is a remarkable achievement, as a result of integration, of urbanization, of economic growth.

Table 4: The poverty rate divided by urban – rural

Indicator	Unit	2004	2006	2008	2010	2012	2014
1.Poverty rate	%						
Whole country	%	23.2	15.5	13.4	14.2	11.1	8.4
Urban	%	13.7	7.7	6.1	6.9	4.3	3
Rural	%	26.4	18	14.7	17.4	14.1	10.8

Source: *General Statistics Office (2016)*

4.2.4. Promote the process of urbanization associated with population shifts

Look at table 5, the migration flows from rural to urban areas contribute to an increase in the urban population of over 1.6 million people. In contrast, migration from urban to rural areas has reduced the urban population by more than 0.6 million. Thus, the net migration of these two migrations has increased the population of urban areas by nearly 1 million, lower than in 2009 (over 1.5 million).

Table 5: Number of migrants and migration rate of urban population by migration flow, 2009 and 2014

Migration flow	Number of migrants (person)	Migration rate (%)	Number of migrants (person)	Migration rate (%)
Migration from rural to urban areas	2,122,071	8.3	1,642,186	5.5
Migration from urban to rural areas	564,949	2.2	686,551	2.3

Source: *GSO, 2015: Population and Housing Census*

The increase in the urban population in addition to the effects of birth, death and migration factors is also attributable to administrative change, transformation from rural to urban areas. Approximately 3 million people live in rural areas in 2009 and now turn into urban areas, accounting for 9.9% of the urban population, almost twice as high as the increase in urban population due to migration.

4.3. Conclusion and policy implications

According to the above analysis, international integration is parallel with the pace of urbanization. Integration accelerates the process of urbanization. However, if we control the speed of urbanization will have positive effects, otherwise we will be banned. On the other hand, the process of urbanization in our country is mainly developed in width, mainly increase in the number of urban population. For example, urbanization too fast while the infrastructure is not up to date will be a major problem for urban like unemployment, environmental pollution,... and will limit the development of urban areas. Therefore, for urban development in the direction of sustainability we need:

(i) In parallel with accelerating the pace of urbanization, the state needs to develop specific strategies in each period to avoid the state of the infrastructure failing to keep up with the pace of urbanization.

(ii) Controlling the flow of migrants closely, the State should create conditions for this migration to develop as speed up the urbanization, on the other hand, in densely populated urban areas, they need to build and expand their technical infrastructure. Preparing conditions to accommodate this migration, such as housing, roads, training facilities, health facilities...; Revise access to social services policies to remove barriers to accessing social services of migrants at the destination.

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