

Asia-Pacific Economic Cooperation

Corporate Social Responsibility in the APEC Region

Current Status and Implications

Economy Paper: Viet Nam

Viet Nam Corporate Social Responsibility

Economy Report

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I-Introduction

1-1. Economy profile

The Socialist Republic of Viet Nam occupies an area of 330,991 square kilometers on the Indochina peninsula, bordering China, Laos, Cambodia, the Gulf of Thailand, the Gulf of Tonkin, and the South China Sea. The topography consists of hills and densely forested mountains, with level land covering no more than 20 percent. The northern part of the economy consists of highlands and the Red River Delta; the middle is divided into coastal lowlands, Truong Son chain with high plateaus, and the Mekong River Delta in the south.

The population ranked fourteenth in the world with 82,689,518 people in the year 2004 (i.e. density is around $264/\text{km}^2$). Population growth rate is estimated at 1.04% in early 2005.

Age structure: 0-14 years: 27.9% (male 12,065,777/female 11,212,299) 15-64 years: 66.4% (male 27,406,456/female 28,024,250) 65 years and over: 5.8% (male 1,889,585/female 2,937,209)

More than 87% of the population speaks the Vietnamese language, the nation's official language.

Various other languages are spoken by 54 minority groups in Viet Nam. English is becoming a more popular language to learn and is increasingly used in business, among other things.

Literacy

(age 15 and over can read and write): Total population – 90.3% Male - 93.9% Female - 86.9% (2002)

Viet Nam has more than 4,000 years of history. In 1945, Viet Nam seized its independence from the nearly 100 years of French colonialist, and then endured 30 years of war for independence and unification. The economy was reunified after the victory of 1975. All the most important political and socioeconomic development strategies of Viet Nam are outlined in the Resolutions adopted by the Communist Party of Viet Nam (CPV) in its Congress convened every four year.

1-2. Recent Economic Performance, and Other Characteristics

Viet Nam is a densely populated, developing economy. In the last 30 years, it had to recover from the ravages of war, the loss of financial support from the old Soviet Bloc, and the rigidities of a centrally planned economy. Substantial progress was achieved since 1986 when the Sixth CPV Congress first initiated the transition to a market economy in Viet Nam.

Viet Nam achieved around 8% annual GDP growth from 1990 to 1997. The growth rate started to slow down in 1996 and two subsequent years as a consequence of the Asian financial crisis; then peaked again at around 7% to 8% from 2000 to 2004, making Viet Nam the world's second-fastest growing economy (See appendix 1).Viet Nam is still a very poor economy with GDP of around US\$38bn in 2004. This translates to merely US\$549 per capita (See appendix 2), which remains low in comparison with other countries in the region.

In the beginning of the economic reform process, the inflation rate was very high due to the removal of price control over the majority of products. The inflation has been kept at a low rate since 1992 (See appendix 3). However, the inflation rate in 2004 was equal to 9.5%, much higher than the targeted level of 5% approved by the National Assembly. Fiscal deficit stays at a level less than 5% of GDP.

Industry was the leading sector of the Viet Nam economy during this period. From 1992 to 1997, growth of this sector was four to five percentage points higher than that of the total GDP. As a result, the GDP structure has changed remarkably with the expanding of the share of the secondary sector, at the expense of the primary sector (See appendix 4)¹.

¹ Commonly, an economy is composed of three sectors

In terms of ownership structure, before the renovation (Doi Moi) initiated in 1986, the economy was run by three types of firms: State-owned enterprises (SOEs) (national ownership), cooperatives (collective ownership) and household units of production or service. Cooperatives were seen mainly in agriculture, and at a lesser extent, in traditional handicrafts and services. With Doi Moi, other types of enterprises, i.e. private enterprises. foreign-invested enterprises (FIEs), have emerged, but until 1990s, such firms have been small in number.

Another important feature of Viet Nam's economic reform process has been the increasing significance of international trade. Throughout the 1990s, exports expanded significantly, growing by as much as 20 to 30% vears. Viet Nam's export growth was led by impressive growth in light manufactured exports (like footwear, textile and garment). In only a few years, Viet Nam turned from being a net rice importer into the world's second largest exporter. The participation of Viet Nam into ASEAN, AFTA, ASEM, APEC and the Viet Nam-US Bilateral Trade Agreement were important landmarks of the economy's active integration process into the regional and world economy. The economy is currently negotiating its accession into the World Trade Organisation and expects to become member by end of 2005.

1-3. Economic Policies

Viet Nam was reunified in 1975. After reunification, an ambitious industrialisation plan was launched throughout the economy, which had many features of a typical centrally planned economic development model. This irrational and administratively forced industrialisation policy only caused lower industrial growth and led to an inefficiently structured economy. By the late 1970s, Viet Nam was facing a major economic crisis, with acute shortages of food, basic consumer goods, and inputs to agriculture and industry, and a growing external debt. Economic stagnation led to pressures for change.

The Renovation *Doi Moi* process, thus, was initiated, which gradually gives way to new economic policy thinking and policy-making. Major policies of the post-1986 period now carry the new ideas of liberalisation, modernisation and integration.

After nearly two decades of reforms, many of the interventionist policies of the old command system have not yet totally been eradicated in the economy. Viet Nam's Socio-Economic Development Strategy for the period $2001-2010^2$ has set the target for Viet Nam to "become an industrialised and modern economy by 2020". Toward such target, some specific measures were spelled out; amongst which state reform development sector and of import-substituting industries continue to be prominent focuses. Viet Nam began to re-orient its economy towards the international markets.

Despite having gone through many rounds of reforms and receiving numerous incentives from the State, the SOEs in Viet Nam remain as pampered and yet less competitive sector of the economy. A level playing field for all economic components is yet to be firmly ensured in the Viet Nam's economy. Until recently, the reforms of SOEs in Viet Nam has concentrated on management systems and restructuring. In the early 1990s, the number of SOEs was reduced from more than 12,000 to 6,000. However, the pace of equitisation was very slow.

The *Doi Moi* process, with the extensive reform measures brought along since 1989, has greatly improved the ways in which domestic and external trading activities are undertaken in Viet Nam. The State monopoly on trade is abolished; the participation of the private sector in both intra- and inter-provincial trade is allowed. The

[•] Primary Sector, which includes activities which extract products from the natural environment, like agriculture;

[•] Secondary Sector- (manufacturing) which includes activities which transform material resources into goods or products; and

[•] Tertiary Sector- (service) which includes activities that produce services rather than goods.

² Report presented by the Central CPV Committee (8th Tenure) to the 9th CPV Congress, <u>http://www.cpv.org.vn/dcsvn</u>, 2001.

number³ of trading entities has increased,

Foreign trade was also substantially liberalised and the private sector officially recognised. The reform was rapidly made during the early 1990s. Private firms were allowed to participate in foreign trade.

Competition between Viet Nam private sector market players and the state sector in exports, competition between domestic and imported products resulting in better price and wider range of products for consumers, etc. took place. Viet Nam is now committed to creating a more open and competitive economy through implementation of the AFTA agreements and the US-Viet Nam Bilateral Trade Agreement (BTA).

The Vietnamese economy is characterised by a large number of small and medium sized enterprises with little capital. However, while around 90 percent of all enterprises in Viet Nam can be categorised as SMEs⁴, total SME capital accounts for just 20 percent of the total business capital value of all enterprises. A small number of SOEs holds most of the capital of the whole economy. More importantly, the SOEs are dominant players in most of the important sectors, those that the government has deemed "strategic" such as cement, petroleum products, steel, sugar, fertilizer, rice, telecommunications, financial services, importing, aviation. distribution, and others.

II – Thinking and practices of CSR in Viet Nam in the period of war and the centralized planning period.

In studying the real situation of CSR in Viet Nam in the recent period, it is necessary to examine CSR in different economy periods, taking into account the ownership of enterprises in each period.

2-1. The period of war (1945-1975)

In the period of war, all national resources, including human, financial and material were motivated to the front with the slogan: "All for the front, all for the final victory". In this period, the economy was operated based on the command mechanism. Most of the enterprises were belonged to the army, undertaking the task of manufacturing and repair of weapons, producing military equipment to serve the war. Industries like paper, textile, mechanical engineering, light industry were of small enterprises with hand-made production.

In these military enterprises, managers and workers were all army men, living together in barracks like soldiers. Enterprise managers, also officers of the army managed the enterprise by command and orders like in a military unit. The enterprise must not only fulfill the production plan approved by the upper level, but must take care of all activities, including material and spiritual living of their men and their family, and sometimes of the population living in the quarter.

Although CSR in this period has not been formally regulated, enterprises must fulfill all social responsibilities of an enterprise. They must work out policies on labour, on child labour, on women labour working in hard and hazardous conditions. In these enterprises, trade unions were organized together with other mass organizations like those of youth, of women. The enterprises attached great importance to health care, especially for women, built menses toilet for women, implemented policies for birth and pregnant regimes for women.

Under the military command management, enterprises in this period have to periodically review their social policy toward their

 $^{^3}$ The number of enterprises allowed engaged in foreign trade increased from about 30 in 1989 to over 1200 by the end of 1994 and 16200 in 2001.

⁴ As per the definition by the Ministry of Planning and Investment of Viet Nam "SME is organisation with legal capital is not over US\$700,000 or number of employees is not over 300".

employees and the population of the site area. In these enterprises, the regulations on safety in production were strictly observed with full responsibilities of the army.

2-2- The period of centralized planning economy

After the victory of 1975, with the reunification of the two regions (the south and the north) Viet Nam began to reconstruct the economy. Economy reform and building were the tasks of top priority of the Viet Nam reunified. In this period (1975-1976) the line "Priority was given to properly developing heavy industry, at the same time, attention is also paid to the development of agriculture and light industry" set out in 1960 and practised in the North until 1975 was replaced with the line "Priority is given to properly developing heavy industry based on the development of agriculture and light industry".

In 1979, after some years implementing this line, some shortcomings in economic management mechanism had been revealed and measures for adjustment had been thought about. In this period, numerous state economic establishments had been constructed. The agricultural cooperative movement had been seething. The north continued to accelerate the merger of agricultural cooperatives. However, the enlargement of the so-called "socialist" sectors had not brought about desirable outcomes as expected initially.

In this period, only two economic components were recognized: the state and cooperative components. Many former private enterprises were nationalized or became joint-venture with the government, but in fact were all nationalized and became state-owned enterprises. Most enterprises in this period were state-owned with various sized and levels, comprising of state-owned controlled by the central government and those controlled by local governments (provinces, cities, and even districts).

The government has spent big amounts of money to enhance the welfare sectors like health, cultural and educational living of workers. State–owned enterprise were no longer entirely managed by the command system as in the time of war, but yet followed the centralized planning system, in which the production and distribution plan were assigned by the government, the living of cadres and employees fully depended on the subsidiary provided by the government.

The Corporate Social Responsibilities (but not entirely as we understand now) in this period were regulated and supervised by the government with the following features:

- The working time was regulated at 48 hours per week, six working days a week.
- Salary was paid monthly, based on the working time and the product unit salary norm (by productivity).
- Special working regime was applied for women workers, like the subsidiary ration and the salary paid in the period of child birth giving (two-month leave with full salary paid), the leave regime during child breastfeeding (one hour per day), special toilet for women (in menstrual time)...
- Special regime for labour in special conditions, like working in hazardous conditions (working in high temperature areas, chemists, in dusty, noisy areas...)
- All enterprises had trade unions which belong to the system of the Viet Nam Labour Confederation, a unique legal trade union as regulated. The president of the trade union played the role of member of the leading board of the enterprise (comprising of the enterprise director, the party secretary, the president of the trade union and the secretary of the youth league in the enterprise), having the voice in all activities of the enterprise, especially in social problems like welfare, health, safety... The trade union president had the right to represent the labour people of the enterprise and enter in discussion with the enterprise director in case of conflict between the interests of the workers and the interests of the enterprise, thus to protect the right and interest of labour in the enterprise.
- The enterprise discipline commission comprised of representatives from the board

of directors, the trade union, the youth league, the discipline officers designated by the director (usually from the institution dept.), and sometimes a representative from the enterprise women union in case of the subject be a woman or related to women. The convict was placed before the enterprise discipline commission and was to defend himself or herself before the commission. The convict could be condemned, criticized, reprimanded warned, dismissed or fired. Penalty by salary deducted, humiliated or by corporal punishment were not allowed. However, the convict can be punished by deduction of bonus.

- An officer in charge of labour safety was assigned to take care of worker's safety and the environment hygiene. Workers and cadres, especially those working in hazardous areas were periodically trained and examined on safety knowledge. The officer in charge of labour safety undertook the responsibility of the supervision of safety measures implementation, of labour conditions, set out the plan of provision of safety equipment. He must periodically report to the enterprise leaders about the safety situation, the labour accidents, and work out the plan for the improvement of the safety situation of the enterprise. Workers working in hazardous areas were equipped with safety facilities like safety clothing, shoes, boots, gloves, glasses, etc.
- All labour in the enterprise was secured by the social insurance, paid by one part of the enterprise and one part by the worker. Labour can receive free health care according to the condition of the enterprise. In almost all enterprises, health station was established to take care of workers and cadres. Workers were periodically health examined. Patient workers were treated preliminary in enterprise health station before going to the designated district hospital in more serious cases. Workers got working accidents will be treated and compensated according to working regulations.
- For bigger enterprises, (having about some hundreds of workers and more), kindergartens were often established to take care of little

children of women workers in working time. All expenditures including meals were partly covered by the welfare budget of the enterprise, the remaining expenditures were paid by children's parent. Small enterprises having not enough capacity to established their own kindergarten can cooperate with other enterprises to organize a cooperated "children's house", or provide one part of expenses to the women workers to pay for their children to be entrusted in other kindergarten.

- In general, enterprises did not work out their own social policy, but mainly follow the state regulations on social policy in enterprises. These regulations were in general put into the annual plan with concrete activities suitable with the real conditions of the enterprise. In each periodical plan review (annual, semester, trimester, monthly) leaders of the enterprise usually reported the implementation of social responsibilities of the enterprise with remedies and experiences drawn.
- Every year, the upper level trade union (usually of provinces, cities), in cooperation with government officials (from health dept., the officer in charge of enterprise safety and representative of the enterprise youth league carried out the inspection and assessment of social responsibilities of the enterprise. This inspection was concluded with remarks given to the enterprise manager and by giving assessment point to each target. To prepare for the inspection, enterprise leaders must review their activities, assess themselves and submit report to the inspection delegation, including remedies for their shortcomings.
- Documentation and supervision in almost enterprises was made including the plan of the enterprise on CSR, the record of the implementation results, the update of accidents occurred (working accidents, catastrophes, fire, storm) and remedies in each period. However, the documentation is not concentrated in one contact but separately done by various department of the enterprise. Issues related to industrial hygiene and safety was under the supervision and record of the officer in charge of labour safety (usually an engineer from the technology dept). The

social welfare was supervised and controlled by the trade union and the administration dept. (kindergarten, hygiene facilities, toilet for women workers). Salaries and social insurance were carried out and supervised by the department of labour and the department of human resources (usually called the department of institution). However there was the cooperation between departments in an enterprise like the exchange of view, share of experiences... with the monitor of the enterprise manager.

III- CSR thinking and practices in Viet Nam in the recent period – the period of transition from centralized planning to market economy.

3-1 - The situation

After the war, the economy of Viet Nam experienced successive failures of its two five year plans (1975-1985). These failures caused serious crisis and therefore, the Government of Viet Nam introduced the economic renovation line (Called Doi Moi in Vietnamese, initiated by the 6th Party Congress in 1986). The main contents of the economic renovation were to practise democratizing economic life, transfer highly centrally planned management mechanism to market mechanism with state management by laws and transform massive development of state and collective economy into the development of multi-sector economy, change from physical input and subsidiary allocation mechanism to using the value law of commodity production and self accounting, shift external economic relations towards openness. multilateralisation and diversification.

Thanks to the restoration in production and business, hyperinflation in this time had been initially controlled and rolled back. Retail price of consumer commodities and services decreased from three digits annually (1986 increasing by 774%; 1987 by 223%; 1988 by 393%) to an increase of 34.7% in 1989 and 67.4% in 1990. In the following years, inflation rate gradually became stable with two and then one digit. (See appendix 3).

Non-state economic sectors, especially private

and individual economic sectors contribute considerably to the national economic achievements. Encouraged, many people invested in expanding the existing production and business establishments or setting up new ones. This trend continued to grow in the succeeding years.

During the decentralization of the economy management. Viet Nam launched the restructuring of state-owned enterprises (SOEs). SOEs, according to their concrete situation, can be equitized, with the investment of private capital, rented or sold. The enforcement of the law on enterprises has been warmly welcome by investors and thus encouraged investments in every aspect of the economy. There was a boom of enterprise establishment. From 2000 to 2004, a total of 97,411 enterprises with the total capital exceeding 163,000 billion VND registered. At the end of 2004, there were about 150,000 enterprises including 5,300 SOEs and 2,300 enterprises with foreign invested capital in the whole economy.

Viet Nam has been expanding its economic relation, integrating deeply and widely with the region and the world economy. Viet Nam has been a member of the ASEAN, APEC,AFTA and has been involved in many other world economic institutions. After the signing of the Bilateral Trade Agreement between Viet Nam and the US on 13 July 2000, the bilateral trade between the two countries reached USD 6.4 billion in 2004, increasing four-folds since 2001.Viet Nam is negotiating to join WTO, expected in 2006.

After 20 years of implementation of the renovation line, Viet Nam has the following features:

- Viet Nam is shifting from the centralized planning economy to market economy. The annual growth rate remains among the highest in the world with the average of 7% in many years. Vietnam has passed many laws in order to implement the open-door line, integrated more deeply in the region and the world.
- Viet Nam has created an attractive environment for foreign investors. Many enterprises, including joint-venture and 100%

foreign invested capital have been established and are running effectively.

- Viet Nam is a populate economy, situated in a strategic area regarding trade and defense, has a long history and culture.
- Despite having made meaningful achievements in economy, Viet Nam is still among the least developed countries, having to face with lots of hardships.

The study of CSR in Viet Nam in the recent period should be based on different form of ownership of enterprises, because with different ownership, the enterprise will have different behaviour toward the labour and have different thinking and practices on CSR. In this regard, Vietnamese enterprises now can be divided into:

- State-owned enterprises (Comprising of state-owned enterprises, one member limited liability state companies).
- Joint stock companies, comprising joint-stock companies with state controlled share.
- Limited liability companies and household businesses having employees.
- Foreign invested (joint-venture) or 100% foreign capital enterprises.

3-2 - CSR thinking and practices in SOEs

In the period of renovation, SOEs no longer operate similarly to the centralized planning system with subsidiary given by the government.

In 1987, the Council of Ministers (government) promulgated the decision No 127/HDBT granting autonomy in production and business to SOEs. Following this decision, SOEs had to practice self economic accounting on the basis of using revenues to cover expenditures. The state had no longer covered the losses by SOEs. As of 1989, almost all SOEs had to fulfill only one mandatory planned target that was the contribution to the state budget. The other targets were decided by the enterprise itself following the regulation of the market. However, up to now, before the promulgation of the new law on enterprises, SOEs are still regulated by the SOEs law, with the following favours:

- Easy credit from the state or banks without deposit required.
- Easy renting, borrowing, using land and land resources.
- Get favours in relation with banks, customs and tax institutions.
- The manager of SOE bears no individual material obligation in case of losses of his enterprise.

The social responsibility of SOEs is regulated by the state with the contents that are the same as in the subsidiary centralized planning period. The trade union organization is mandatory in every enterprise where its system is regulated by the law on Trade Union. The trade union president represents the labourers of the enterprise to enter in dialogue with the director in case of conflict, takes care of the interest of employees, involves in the management of the welfare budget, supervises the safety conditions, represents workers in the commission of discipline and motivates employees to fulfill the enterprise business targets.

The CSR practices in SOEs have the following features:

- The recruitment of labour in SOEs is decided by the director, based on the need of labour with the consultation of the board of leaders of the enterprise (the four members as described before). Workers engage with the enterprise through working contract signed between the director and the employee on seasonal (one to three months) or permanent (six months upward) basis.
- The salary of the labour depends on the business efficiency of the enterprise and the contribution of the labour. Thus the salary of the same profession in different enterprise can be different. The enterprise director has the right to decide the salary of his employees as agreed in the contract, provide that the minimum salary must not inferior to the

minimum salary regulated by the government in each period.

- Due to having no strict link between the personal benefit and the efficiency of business, SOEs directors easily accept all state regulations on CSR. Some SOE director, who understood that the business efficiency of the enterprise depended greatly on the behaviour of the labour, tried to apply tighter working discipline, and at the same time improve the labourer's working conditions.
- In the early part of the renovation period, due to limited material conditions and resources, business faced with hardship, the welfare of the labour remained poor. The labour conditions was somewhat bad, but rarely occurred strained struggle of workers for a better life and working conditions in SOEs.
- In some industries having export goods like the shoes and garments, fish processing industries, under the requirements of foreign customers, enterprises had to apply the Code of Conduct introduced by customers. Some applied the standard on social accountability and received SA8000 certifications. However, the level of application, the quality of implementation of CSR was different in different SOEs.
- Enterprises whose activities caused bad impact to the environment (generated solid industrial hazardous wastes, wasted water, dust, noise...) must do the assessment and submit report on the impact on the environment of the enterprise. Almost all enterprises having such situation have made the assessment and report but the remedies for bad impacts on the environment depends greatly on the capacity of the enterprise. In general, the results were somewhat poor. Most of enterprises located in cities have been forced to move to the suburb or to other places far from the urban areas.
- Conflicts between employees and leaders of SOEs were successfully settled by conciliatory mediation with intermediary of the trade union. Even at present, almost SOEs followed CSR regulations of the state, causing no serious conflicts between employers and

employees in SOEs. Most of workers working in SOEs consider working for the enterprise as working for their own interest and for the economy, so they easily accept the labour conditions offered by the enterprise.

- Recently, most of SOEs has labour agreement signed annually between the management board and workers representative (the enterprise trade union). In general, a labour agreement contains the following main clauses:
 - The CSR policy of the enterprise.
 - The condition of labour (technology, equipment, facilities)
 - The labour environment (hygiene, lighting, temperature, clean air, reduce noise, wastes treatment).
 - Safety condition (Safety facilities, clothes, gloves, boots, glasses)
 - o Health care
 - o Salary
 - o Bonus
 - o Entertainment
 - Working regime (working time, vacancies, relax)
 - Fulfillment of enterprise business targets (revenues, benefit, product quality, delivery time)

3-3 – CSR Thinking and Practices in Joint-stock companies (JSCs) in Viet Nam

Recently, the reform of SOEs in Viet Nam concentrated on management system and restructuring. The reforms of management system have been aimed in making SOEs more efficient. The restructuring policy for SOEs has been designed to strengthen SOEs by increasing their scale through merging with small SOEs or the liquidation of ill-managed and financial weak SOEs. These programs however revealed many drawbacks and did not help improve SOEs' performance. On 10 May 1999, the President of the Council of Ministers (now the Prime Minister) issued the decision Number 143/HDBT which gave the permission to transform some SOEs into joint-stock companies. Although the target of SOEs' equitization has been set up, the process has advanced slowly. The equitization plan was not achieved. After

the promulgation of the law on enterprises which encourages non-state economic components, lots of limited liability, joint stock companies have been established.

The involvement of JSCs in the national market can be attributed to two main sources:

- The newly built JSC basing on the law on enterprises.
- JSCs transformed from SOEs basing on the SOEs equitization line.

JSCs transformed from SOEs base on the SOEs equitization line have the background as SOEs, particularly those having the share of the state exceeds 50% that gives the state the power to control enterprise activities. This thinking of the JSCs remains somewhat preservative during the centrally planning period, thus similar to the SOEs, all CSR regulations are easily accepted. Except JSCs having to face with serious hardships in business, most of JSCs of this kind obeys strictly the state regulations related to CSR by carrying out the followings:

- Implementing the state regulations on surplus labour. This emerged from the enterprise restructuring during the process of equitization and transfer of ownership by marginalized workers with granting job-missing benefit, giving retreat regime for those having enough working time, or giving the regime of leaving the job by reason of health to workers having not enough power to continue their work.
- Paying much attention on the selection of children of former workers to work in the enterprise.
- Trying to rehabilitate and expand the production areas, to improve the working conditions for employees, to improve safety facilities.
- Attaching importance to form human resources by carrying out on-the-job training, or send young workers to vocational schools.
- Trade union in JSCs is assisted to carry out its task like in SOEs.

- Many JSCs is making profit despite its background as ill-managed, loss SOEs in the past.
- Almost no serious conflicts occurred between the labour and the managers of JSCs.

Newly established JSCs, with the background as private individuals or private companies, usually act like private the sector that we will study their behaviour towards CSR in the next part of the paper.

3-4 – CSR thinking and practices in the private sector (Joint stock companies without capital of the state, limited liability companies and private companies)

Limited liability and private companies are all private ownership. The behaviour of these kinds of enterprises on CSR is almost the same.

The establishment and operation of private companies (including limited liability, individual companies, household business) can be seen as a particular phenomenon characterized the period of transition of the economy. One must remember that before the issue of the renovation policy, the private economy component (except small household businesses) was not recognized and there was almost no concept on limited liability companies in Viet Nam.

With the economic renovation policy, lots of limited liability companies (LLCs) and private companies have registered, especially after the promulgation of the law on enterprises. Until the end of 2002, the number of companies of no-state-owned amounted to 87.8% of the total companies in the economy (including 0.9% of joint stock companies having state capital). Although of a great number, enterprises in this private sector are almost small enterprises with modest capital and number of employees.

With private ownership, private companies pay much attention to the efficiency and benefits of their business. The first drive to CSR of this sector is to create favourable conditions, enough for employees to work with high productivity, thus bringing high profit, rather than thinking on the complete aspects of CSR. For a small number of limited liability enterprises with greater business scale, especially for export companies (garment, foot wear) the perception on CSR has been heightened, mainly by the impact of the requirements of their export partners.

The thinking and practices on CSR of the private sector can be outlined as follows:

- The recruitment of employees has been made quite carefully through tight examinations and direct interview. Only person of appropriate capacity, young, healthy, entrepreneurial, can be selected. However, it can be denied after some days if they cannot prove their capability. Parents of the owner are usually used in administration works. Big companies generally sign working contract with their employees (50-60% of enterprises is the highest that has signed contract). Most of employees work without working contract in this private sector. They can be easily fired or replaced by other newly recruited worker with lower salary. Except for those who hold important position in the enterprise, most of employees do not work long for one enterprise. They easily move to another enterprise with better working conditions and higher salary. This allows the owner to make more profits because they easily replace workers at a lower salary.
- The salary in the private sector is not the same for every enterprise, but generally low and has great difference in various positions in one enterprise. However the minimum salary meets the regulated minimum salary regulated by the government that is quite low. In case of having business difficulties, many private enterprises cannot pay their employees in time.
- Many enterprises did not pay or reduce the salary of their employees who violate the enterprise discipline like coming late to work, committing mistake in implementing enterprise regulations, issuing products with low quality. Some enterprises lowered the bonus granted to employees in case of bad conduct.
- Enterprises of small scale, mostly family enterprises used children of their family to do

odd jobs or supplementary works. Some enterprises, generally handicraft used children under 15 as apprentices. The apprentices generally will not go to school again.

- In general, there is no forced labour in Viet Nam (except prisoners working in police production establishment whose purpose is to correct their offence). In some enterprises, newly recruited workers or apprentices must make a deposit in enter the company (ie, taxi drivers must deposit some 10 to 20 million VND in enter the company).
- Except for some bigger companies, many private enterprises refuse to pay insurance for employees (social and health insurance). The insurance is implicitly included in the salary paid to the workers, and the last generally makes no claim. Health station, collective refectories are available in some bigger enterprises with different size and quality. In smaller enterprises, employees must manage themselves to health care and everyday meals. Food empoisoned has occurred in some refectories, for example in Dong Nai industrial zone in the southern region.
- There is no discrimination between labour on different sex, religion or nationality.
- The working time in private sector is usually 48 hours per week, six days a week and one holiday per week. There are almost no annual leave except in some bigger enterprises. In some enterprises, especially in service companies like restaurants, small shops, there are usually one to two days leave per month, although not less than one day leave per week is regulated by the Labour Code. Extra working hour and salary depend on the agreement between the employees and the employer in their labour contract.
- Private sector generally seeks to minimize the expenses for working and safety facilities if these are not of top importance or are not listed in the safety regulations of the government.
- Few trade unions have been established in private companies except in bigger and renowned ones. Most of private companies

think it troublesome rather than to establish an effective dialogue mechanism between employer and employees. Trade unions are established in other private companies but the role is somewhat blurred. According to the Trade Union law, the salary of the trade union president is paid by the state treasury, but the overall interest of trade union cadres depends greatly on the enterprise, so it is hard for him to have strong voice to defend the interest of the workers.

84 Workers Food Empoisoned

In the afternoon of 12th August 2005, a collective empoisoning took place in Filia Vina Company (Northwest Cu Chi Industrial Zone, HCMC), a garment company of Korea. After lunch with fish, long bean and pork, at 15h30, 440 workers had the symptoms of being empoisoned. They were sent to the Cu Chi health Centre, but at 19h of the same day, 20 workers still remained in hospital.

(Youth – Saturday 13th August 2005)

In the evening of June 3, in H.P. Shoes Company, (Pham van Chieu Str., Ward 12, district Go Vap), workers have collectively refused dinner to struggle against tight working regime and low salary. On 14 May, about 2500 workers in the Sockets knitting workshop in Duc Hoa, Long An province have enter into strike to request their salary to be increased (Saigon Kanaan Ltd – 100% FIC). After the strike, 21 workers were fired without compensation for having entered into illegal strike and 62 others missed their work with compensation for having left the workshop for 5 days without permission.

(People Police 30/7/2005)

3-5 – CSR thinking and practices in foreign invested companies in Viet Nam

In 2003, there were a total of 5,411 Foreign Direct Investment (FDI) projects which registered capital of USD45 billion. Many joint-venture and 100% foreign invested capital enterprises have been established. These enterprises generally operated efficiently, contributing an important part to export turnover of Viet Nam. Most of these enterprises pay great attention to CSR because of the following reasons:

- To fully obey to the laws of Viet Nam, especially the labour Code to establish their privilege towards the Vietnamese government.
- To answer to the requirements of import partners
- To create favourable working environment that makes their business successful.
- To avoid conflict and disputes with local labour.

In general, Foreign Invested Companies (FICs) have their own social and environment policies and seriously implement it. Many FICs applied the standard SA8000, ISO14000 had their own code of conduct. With different level of implementation, the general features of CSR practices of these enterprises are:

- The labour recruitment has been made tightly. Most of managers working in these enterprises must pass an examination or direct interview. The majority of common workers is generally recruited through the services of labour intermediary companies or recruited by the enterprises themselves. However, not all of employees enter in working contract with the enterprise.
- The average salary in FICs is not high, compared to the other sectors of the same profession, but are within the minimum salary regulated in the Law on Foreign Investment. There is a great difference in salary between managers and workers in FICs. Basically, there is no discrimination considering sex, political ideology, nationality, religion of

employees provided they must meet the owner's labour requirement.

- In some enterprises, material punishments are practiced, like penalties for late arrival to work, and defective products. Although rare, there are still punishments by insulting, humiliation or abuse the body of workers in other enterprises.
- The representative of employees in dialogue with the employer, still the trade unions in the system of the Viet Nam Labour Confederation as regulated in the Law on Trade Union, only exists in big companies. In many foreign enterprises of smaller scale, trade unions have not been established.
- In some FICs disputes occurred between employees and employers, sometimes led to strike. Disputes have been mainly on complaints on low salary, the delay of payment, the poor conditions of hygiene and safety, the unduly behaviour of managers toward workers line insulation, humiliation, body abuse. Most of these disputes have been arranged peacefully through the intervention of the province dept. of labour, cities or provinces level trade unions.
- The working time is 48 hours per week, one leave day per week. Although within the regulations of the Vietnamese laws, still workers usually experience exhaustion with the high extra working time.
- Working conditions, environment issues Almost all FICs were built after the launching of the renovation policy, especially after the issue of the Foreign Investment Law, constructed in industrial or export processing zones. Production workshops (production sites) and environment conditions generally answered to the working and environment conditions regulations. Most of FICs paid due attention to working and safety conditions like lighting, prevention of high temperature, noise and waste treatment. Many enterprises applied the standard ISO14000.
- There were cases of food empoisoned in refectories of FICs, but mainly due to the negligence of meal provision contractors.

Inspecting 28 enterprises of FICs in HCM area, The Inspection delegation from the Ministry of Labour, Invalid and Social Affairs discovered lots of enterprises violating regulations in the Code of Labour:

-No Rule of Labour (8/28 enterprises).
-No complete registration of Working contracts (17/28 enterprises)
-No social insurance bought (7/28 enterprises)
-Inadequate implementation of working regulations on safety and hygiene (19/28 enterprises)
-Lots of enterprises did not develop Labour agreement.

(People Police 30/7/2005)

More than 100 workers of the T.H. Ltd shoes company have been sent to emergency aid in the Tan Phu Health Centre and N.T.P. hospital in exhausted and agony situations on 29^{th} June 2005. Doctors said that was caused by overwork and short of rest. Workers said: because of the pressing delivery time. Workers must prolong their working ship in many consecutive days, fearing to be fired.

(People Police 30/7/2005)

From the beginning of the year 2005, there are 67 strikes in the whole economy mostly in areas with concentrated enterprises. According to the statistics of the Viet Nam Confederation of Labour, that is not normal that up to 90% of strikes occurred in FICs. In fact, strikes exploded mainly by mistakes of the enterprise owners. Workers protested for having been abused of interest and dignity.

(*People Police 30/7/2005*)

IV – Some additional features on the CSR thinking and practices in Viet Nam

Apart from the special features of CSR thinking and practices in Viet Nam, there are different economic components ownership. Some of the common features on these issues are:

4-1 –General perception

CSR has been more or less practised in Vietnamese enterprises. However, the perception on CSR of Vietnamese enterprises is not the same. One part of enterprises considers CSR the social activities in general like charity, action. contribution to alleviate humane community hardship. Others understand CSR as to satisfy customers' requirements on quantity, quality, and delivery time of goods. Those who have exported goods regard CSR as to fulfill customers' requirements on the implementation of COC. Enterprises who have implemented the SA8000 consider standard CSR as implementation of SA8000. The CSR perception in Viet Nam is far from unique in enterprises and draws less attention of the community at large. Therefore, CSR issues must be trained.

4-2 – Motive force to implement CSR

Main motivations to implement CSR in Viet Nam are:

- Requirements of the state regulations related to CSR, especially to implement the Labour Code.
- Pressures from competition and be successful in the market.
- Demands of labouring people for better working conditions.
- Requirement of customers, especially of foreign customers.
- The movement to implement and get certificate of SA8000.

4-3 – Main activities of Vietnamese enterprises to practise CSR in the period of economy transition.

Due to the importance of CSR in enterprises -answering the requirements of customers of better business efficiency at the different levels, Vietnamese enterprises have carried out the following activities:

- Rehabilitation of production workshops, modernization of technology and equipment to make better working conditions for workers.
- Improvement of safety, hygiene and environment conditions:
 - a- Improvement and modernization of temperature conditioning, dust controlled, noise diminution, better lighting quality, hazardous gas controlled, improvement of ventilation systems.
 - b- Treatment of wastewater, industrial wastes.
 - c- Improvement of hygiene establishment (toilet, toilet for menstrual, cabinet for clothes change).

- d- Improvement of health care establishment and conditions.
- e- Improvement of the provision of industrial safety facilities like gloves, boots, shoes, hat, spectacles, safety clothes, worker uniform
- Strengthen the education and management of safety and hygiene issues:
 - a- Education and inspection of knowledge of workers on hygiene and safety, on fire prevention.
 - b- Assign officers in charge of the safety and hygiene in the enterprises.
 - c- Promulgation and enforcement of regulations on safety and hygiene
 - d- Periodical inspection of the safety and hygiene conditions of the enterprise.
- Improvement of the system of production and labour organization

In the renovation period, almost all enterprises in Viet Nam implemented improvements of the production and labour organization to suit with the new technology and meet the required delivery time of the customers. The production and labour organization vary from enterprises to enterprises according to the industry and the business scale of each enterprise. For enterprises with imported technology, the improvement process is usually faster.

- Formation of human resources

The formation of human resources has been carried out permanently, especially for enterprises with special technology of which workers and technicians cannot be trained in common vocational school like for traditional industries. Enterprises also sent workers to other enterprises in or outside the economy to learn as apprentices to improve their professional skill.

V- The role of different stakeholders in the implementation of CSR in Viet Nam.

5-1 – The role of the enterprise

Enterprises indeed play the key role in the application of CSR. The core problem determining the success of the policy and implementation of CSR lays in the perception of the enterprise himself, beginning with the owners (the administration board and shareholders) and the managers (the board of director and the staff)

The board of directors and managers can more easily change their perception on CSR under the pressure of workers, of trade unions and of the government, of social organizations, particularly by mass media. Under the pressure to improve the business efficiency of the enterprise (good CSR can bring about good business efficiency after the surveyed data of some enterprises in the shoes and garment industries), especially the pressure by the customer side (for enterprise having exported goods of which the customers required the application of CSR or their introduced code of conduct), the managing board of the enterprise easily understand the necessity of an appropriate CSR policy for the enterprise and of the good implementation of such CSR.

However, shareholders whose representative is the board of administration, the real owners of the enterprise, usually consider CSR as a burden, an activity required increase expenditures and thus increase the costs and lessen the profit of the enterprise. Once the latter did not fully understand the necessity and the impact of CSR on their enterprise business efficiency, they usually remain preservative and negative. Therefore the forming and raising awareness on the necessity and the impact of CSR on their enterprise success is of top importance.

The awareness of the enterprise is a key factor which determines the success or failure of the CSR because it is the enterprise itself which works out the CSR policy of the enterprise and it is them too to implement this CSR policy.

5-2 – The role of the government

The government plays an important role in enforcing the implementation of CSR policy, especially for Viet Nam where the government can affect greatly the behaviour of enterprises. The government can actively contribute to the thinking and practices of CSR through:

- Promulgate policies, regulations related to CSR like the Labour Code, to social insurance, to health insurance, to safety in production, to the dialogue mechanism between employers and employees, and to the procedures to settle disputes.
- Supervise, inspect, control and settle all problems related to the enforcement of regulations on CSR.
- Provide information, education to enterprises and labour.

5-3 – The role of the trade union

According to the law on trade Union , the Trade unions in Vietnamese enterprise must be within the system of the Viet Nam Confederation of Labour, a social politic organization under the leadership of the Communist party. The Viet Nam trade unions represent workers in the enterprise on one hand and represent the government on the other. Other functions includes:

- Represent the employees' interests through the leaders are elected by workers.
- Learn and understand the feelings, aspirations, difficulties of employees, discover and help employees to alleviate their hardships within the trade union functions and power or propose to responsible bodies to settle.
- Represent employees to raise and contribute idea and innovations related to their interests.
- Contribute to the preparation of the collective agreement and sign it on behalf of employees.
- Take the initiative and organize the implementation of social policies like the

family planning, the movement to combat social evils.

- Motivate employees in the production emulation to achieve the enterprise business goals, represent employees in emulation and award commission, discipline commission, innovation commission of the enterprise.
- Supervise the implementation of laws and regulations by both the enterprise managing board and employees, supervise the implementation of the collective agreement, the use of the salary budget, the welfare, health and insurance budgets. Carry out periodical control activities of the implementation of CSR.

In reality, the above functions of the trade union have been carried out fully or partly in different enterprises. Usually, the role of the trade union has been fully carried out in SOEs and less in other enterprises. The capacity and level of trade union cadres is in general low in compare with the managers of the enterprise, so, the implementation of the role of trade union is limited. The salary of cadres of trade union is paid by the system of Confederation of Labour, or in fact by the government. However, their final income depends greatly on the enterprise, so it is hard for them to preserve their objectivity and impartiality. Moreover, except one or two cadres paid by the Confederation of Labour (usually the president and the officer in charge of trade union activities), the others work part time for the trade union and paid by the enterprise. Therefore, the protection of labourer interests by the trade union is far from adequate.

5-4 – The role of customers

Several years ago, some export companies (especially in garment, shoes and fish processing industries) have been required by customers to implement CSR as a contract condition. CSR is often carried out under the implementation of a code of conduct imposed by customers. This can be considered as the beginning of the application of CSR in Viet Nam in term of commercial contract rather than a social duty of the enterprise. In improving the business efficiency and promoting the enterprise image and trade mark, some enterprise applied the standard SA8000. The customer imposed their code of conduct and acted as consultant to monitor the implementation of CSR in enterprises by:

- Introducing and disseminating of code of conduct contents, training managers and staff (Nike, Adidas, Reebok)
- Providing information, giving consultation and technology aid to improve enterprise production area, and reorganize the use and management of labour.
- Helping in training on workers' safety, hygiene, and professional diseases.
- Conducting supervision and assessment of CSR implementation of the enterprise.
- Helping the documentation and record the management of CSR.

5-5 – The role of the professional associations

Professional associations are organizations of enterprises of the same industry, for mutual assistance to better enterprises business. Professional associations play certain role in the implementation of CSR policies and practices in the member enterprises. The assistance focuses in the provision of information, consultancy and getting certificate, market study, in technology, finance and export. When sued, enterprises can get the assistance from the professional associations. Thus, the intervention of the association is of great importance. However, in Viet Nam generally the impact on member enterprises of various associations is not the same. In some professional associations, the link between member enterprises is somewhat weak.

5-6 – The role of consultant organizations

Some years ago, Viet Nam had lots of consultant and certification organisations (including foreign consultant organizations) on quality management systems. They assisted enterprises to practice and implement CSR companies policies. Consultant assisted enterprises to set up their social policy, CSR scheme and implement CSR activities. They helped enterprises to make the CSR implementation documentation, plan. registration, record, supervision and control, prepare for the registration and certification of CSR standard (SA8000). Without consultancy, enterprises cannot understand the essential of CSR, nor work out an appropriate CSR policy. The number of enterprises carried out and received certification is not enough. The implementation quality remains low. The consultant's activities have proven the necessity for the development and implementation of CSR in enterprises.

5-7 – The role of consumers and consumer organizations

The Viet Nam Standard and Consumers Association (VINASTAS), member of Consumers International (CI) is the only consumer organization working nationally in Viet Nam. The network of the association comprises of 26 affiliated consumers associations in provinces and cities. Viet Nam has promulgated the Ordinance on Consumers protection in 1999, and the Law on Competition in 2005, two main legal tools to protect consumer interests.

In Viet Nam, the problem of consumer has been newly emerged in shifting to a market economy. Vietnamese consumers have poor knowledge and awareness on their rights and responsibilities. The impact of consumers on CSR is still limited. Consumers pay attention on the quality and price of goods they purchase. Until now, almost no case has been seen where consumers complain on CSR behaviour of enterprises containing in goods and services they provided. In 1998-1999, VINASTAS had a cooperation program with the Italian consumers and association the Italian distribution Cooperatives on the export of knitting garment from enterprise implementing CSR in Viet Nam to Italia. However, this program failed to go to an end.

VI – Impact and meanings of CSR implementation

The CSR problem has been brought into play not long in Viet Nam. CSR in Viet Nam has been carried out spontaneously or under the government regulations on problems related to CSR. The formal issuance and implementation of CSR like the application of the standard SA8000 only took place when there were requirements of customers of export companies. However, spontaneously or under the regulations, the implementation of CSR has brought about interests for enterprises and for the society.

6-1 – Human rights aspect

The overall meaning of CSR embodies the respect of human rights. The workers right to live in dignity, in a healthy living and working environment must be satisfied as a basic need. They must be equally treated with no discrimination in all aspects. CSR regulates the equality, mutual respect between men in a friendly basis of cooperation and confidence.

6-2 – Social impact

With the implementation of CSR, the enterprises' image improved, the name of the enterprise is renowned, the trade mark promoted and thus strengthening the prestige of the enterprise. The enterprise will get more confidence from their workers who will devote all their effort for the development of the enterprise. Employees feel enterprise their family and can neglect conflicts. Through CSR implementation, enterprises can demonstrate their responsibility toward the society and the environment, they can get the sympathy of the population and especially of the mass media. The relationship with the community, with the government can be better and enterprises can get a more favourable business environment.

6-3 – Legal aspects of CSR.

First, CSR carries out regulations of the Labour Code, e.g. in labour recruitment, working time, mode of salary payment, working and resting conditions, and measures to assure working safety. The implementation of CSR is the implementation of State regulations on working, social and health insurances. The data gathered from 12 enterprises in the shoes and garment industries in the above mentioned survey proved that the enforcement of the Labour Code and other Labour and environment regulations have been better in CSR implemented enterprises. From 1988 to 2002, only 3/9 enterprises were inspected on labour and environment issues. All received good results.

Regulations in CSR must be in line with international laws and conventions like the working conditions regulated in ILO regulations, the conventions on environment and children's rights.

6-3 – Economic aspect

The implementation of CSR not only has great social and legal meanings, but also great economic meaning. The investment in human resources is an efficient economic investment. Expenditures for CSR will be returned rapidly. Through the implementation of CSR, workers are happy and will make significant contribution to the enterprise. In CSR practicing enterprises, employees are inspired. With the improvement of the working conditions, the productivity has been heightened, enterprises can get more profit. Export enterprises can sign more contracts, workers get more job, revenues and benefits of the enterprises increased, the market share widened.

Data collected through the survey of 12 enterprises in the shoes and garment industries carried out by the Viet Nam Institute of Labour and Society in 2003 proved that, in comparison with the former period, the average revenues of CSR implemented enterprises has increased by 1.55 time, the productivity by 1.47 time, the benefit by three times. Thanks to the implementation of CSR, export enterprises can keep and widen their export contracts, therefore can make the production stable, the working extra time lessened.

6-5 – Impact on the environment

In CSR practicing enterprise, workers work in a safe and hygienic working environment, thus minimizing working accidents and professional

diseases. According to the survey mentioned above, 95% of labour respondents answered that in CSR practicing enterprises, the working condition is better and that they are better cared for and are happy with their work.

6-6 – Stability and fluctuation of labour force

An important consequence of CSR is to maintain the stability of labour force. It minimized the transfer of workers. The enterprises must not recruit and train new labour to replace the moved working force. Workers working long in one enterprise can get more experiences, becoming more skill and can work with high productivity and better quality. They can devote time to innovation and bring about much benefit for the enterprise. Experiences showed that in many enterprises, the fluctuation of the labour force created lots of losses for the enterprise, especially in peak delivery time.

6-7 – Customers better satisfied

The implementation of CSR in enterprises not only makes customers better satisfied but also makes the quality and quantity of goods and services better (i.e. better delivery time). Customers have lessened the number of inspection without prior notified control of the implementation of required code of conduct (from six to seven times per year to two to three times per year). All of the CSR practising enterprises studied have increasing number orders.

6-8 – Create favourable conditions for Vietnamese enterprises to better integrated with the region and the world

Viet Nam has engaged in many world economic charters. It is even negotiating to join WTO. The implementation of CSR, especially in export enterprises is a good preparation for the integration with the world economy, create much attraction to customers, build prestige to domestic and foreign investors and minimize international commercial conflicts.

6-9 – Consumer and Community aspects

By implementing CSR, enterprises have committed to the community and consumers their fairness in business to provide goods and services with high quality and conformed with the social ethics. In using such products and services, consumers can be confident and assured to have contributed to the progress and equity to the society and to the environment. However, this is not the thinking of every Vietnamese consumer because of his or her low level knowledge and awareness on CSR. Vietnamese enterprises usually bear the responsibility towards the government, to import customers rather than to consumers and the community.

6-10 – About enterprises governance.

Large enterprises with long ranged business usually pay much concern in CSR since they have a certain level of enterprise governance. CSR practicing enterprises are orderly and disciplined. Most of enterprises applied a quality management system like ISO 9000, ISO 14000 TQM before applying CSR. CSR can help to heighten the level of management in all aspects, especially in labour management.

6-11 – Impact on SMEs and providers.

In general, SMEs directly provide goods and services to consumers, but sometimes, they also provide of manufactured materials or spare parts to other enterprises. Like other enterprises, SMEs must apply CSR, however when they supply materials or spare parts to a CSR practising enterprises, they are usually required to have a CSR policy for their own enterprise. The application of CSR in SMEs and providers makes all the production chain of goods sustainable and socially ethical.

VII – Challenges and opportunities of CSR in Viet Nam.

Challenges and opportunities of CSR in Viet Nam are subject to the impacts of particular historical and cultural characteristics of the economy and the economic development condition of the world economy in each period.

7-1 – Challenges in the implementation of CSR in Viet Nam.

1. The low level of economic development and population spiritual level.

The low level of economic development is attributed to the low population spiritual and intellectual level. Nowadays, Vietnamese struggles in their daily lives and show little concern on social problems and CSR. The implementation of CSR in Viet Nam therefore lacks strong social motivational force.

2. Insufficient information and CSR knowledge.

CSR is quite new in Viet Nam. The information on how it affects the behaviour of the population and the enterprises is insufficient. There are a few CSR consultant institutions established in the economy. Although the literacy rate in Viet Nam is somewhat high, with more than 90% of the population from 15 ages upward, the knowledge on social issue and CSR remains inadequate.

3. Low economic starting point.

From the start, despite the high speed of economic growth, the Vietnamese economy faced a number of hardships. The efficiency of the economy remains low, the establishment of new economic basis attracts much attention of the population than the implementation of CSR that is considered as "superstructure". The low level of competition also limits the promotion of CSR.

4. Short of financial resources.

The implementation of CSR requires expenditures, thus it is not considered as a pressing issue. The certification of CSR is also a high cost activity.

5. The stagnation in the management of the economy.

The stagnation in the management of the economy is especially critical in SOEs and also in joint stock companies with the dominant share held by the state. In these enterprises, the management is heavily subordinated to the priorities given by the state. It is then remains less dynamic. CSR is only implemented due the pressures of the government or from outside market.

6. Limited capacity of enterprises managers and leaders.

The leaders of the enterprises decide the practice and implementation of CSR policies. Having low level of knowledge on CSR, they usually pay less attention on this issue.

7. Limited capacity of trade union cadres.

In Viet Nam, the trade union law recognizes the confederation of labour. Trade union cadres in enterprises are nominated by the upper level of trade union to be elected by employees in enterprises. The capacity of trade union cadres is generally low compared to the enterprise manager of the same level. They cannot play the full role of monitoring the labour movement and push forward CSR implementation. Moreover, in private enterprises, trade union cadres are paid by the owner, so they usually hesitate to struggle for the interest of workers and their impact on the implementation of CSR is also limited. Trade union cadres cannot enter into equal dialogue with managers.

8. Corruption and the lack of transparency

This is a great constraint in bringing democracy in enterprises and a barrier for the implementation of CSR. Despite some measures set up by the government, democracy in enterprises has made little progress.

9. Government legislation and regulations.

Government's enforcement of CSR Legislation and regulations is insufficient and weak. This is also a challenge in the implementing CSR. In principle, the government supports enterprises efforts in implementing CSR but lacks the experience and is busy with other pressing works. The government cannot pay due concern on CSR, like the supervision and control of the implementation. With such behavior, CSR cannot be adequately pushed forward in the economy.

7-2 – Opportunities and perspectives of CSR development in Viet Nam

In general, CSR in Viet Nam has made some progress. In the future, with its special historic and cultural characteristic – globalization and the deep integration of Vietnam to the world economy - CSR implementation in Viet Nam promises meaningful development.

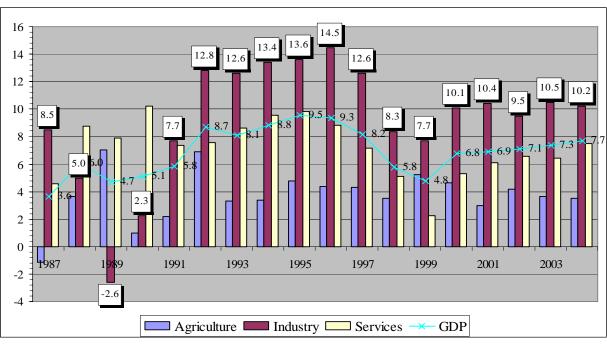
- 1- A special feature of Vietnamese is the high consideration of social relation between individuals. Sometimes, for Vietnamese, the spiritual relationship is more important than material ones. The saying: "Greetings is higher than a copious meal" proves it. Vietnam inherits a long history and culture. Although living in a multi religion economy, Buddhism has great influence in the belief of Vietnam. Having a relatively high rate of literacy, Vietnamese is easy to train. The above characteristics are favourable conditions for the application of CSR in Viet Nam.
- 2- Starting from a very low economic starting point but having relative high rate of economic growth, the economy can overcome hardships, with the renovation and open door policies. The living standard of the population will gradually improve, together with the improvement of social knowledge. This

is also a favourable condition in CSR implementation in the future.

- 3-Viet Nam has participated in many regional and global economic institutions. In integrating its economy to the Global market. Viet Nam establishes relationships with many economies with advance CSR management. Investments in Viet Nam would then increase would considerably and require Vietnamese enterprises to strengthen competitiveness. The their implementation of CSR then becomes an factor since international important customers will require Vietnamese enterprises to apply CSR. This is another motivation to implement CSR in Viet Nam.
- 4- Viet Nam, although one of the developing countries, is asked by international community to join developed countries in the application of CSR. This will allow advancement in CSR implementation of Viet Nam.
- 5- Human development including CSR is a matter of great concern of Vietnamese leaders and government. As a "socialist economy", Viet Nam cannot deny the rights of workers that are the key content in CSR policies.

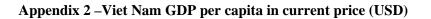
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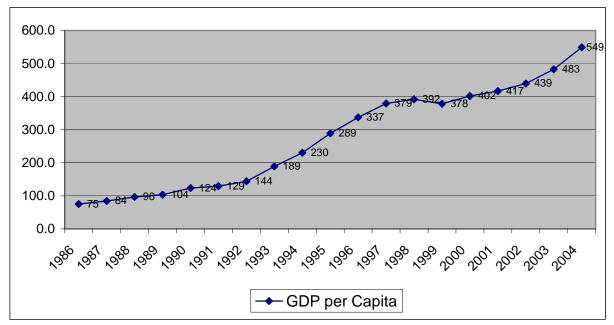
Appendices



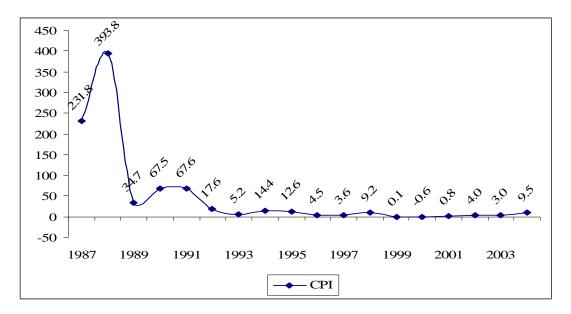
Appendix 1 -Viet Nam economy's growth rate 1987-2003

Source: General Statistical Office of Viet Nam



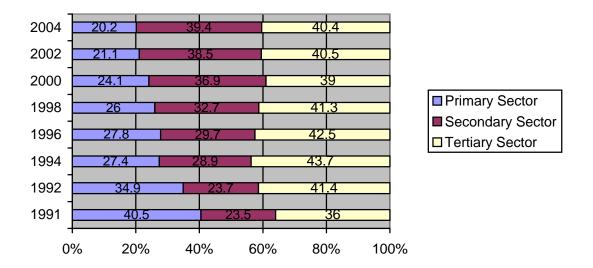


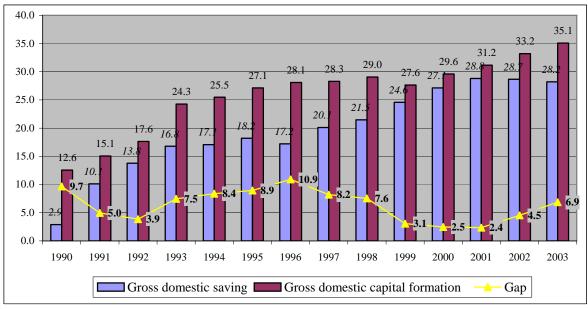
Source: General Statistical Office of Viet Nam

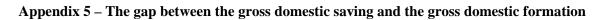


Appendix 3 - Inflation rate

Appendix 4 – Structural changes in the Vietnamese economy 1991-2004





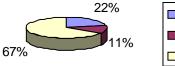


Source: ADB

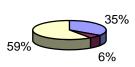
Appendix 6 – The distribution of FDI by sector in the period 1998-2003

Number of FDI projects by sector

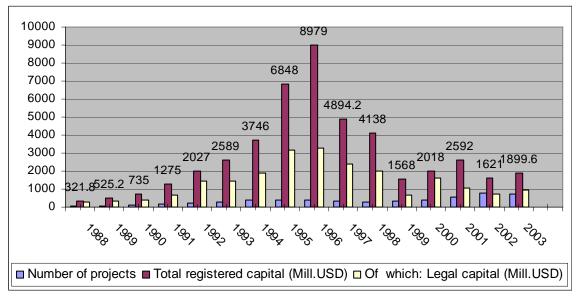
Registered FDI value by sector





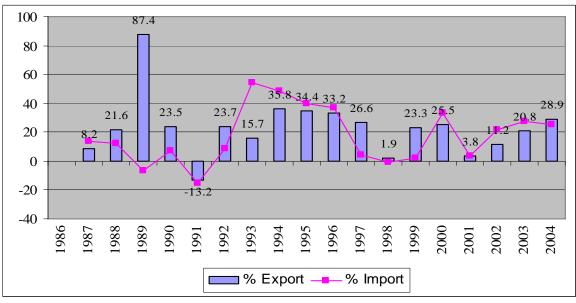


Services
Agriculture
Industry



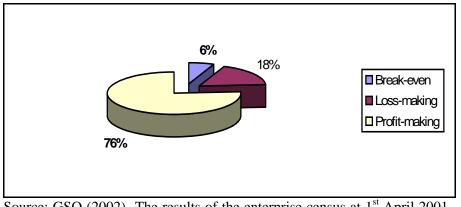
Appendix 7 - The trends of FDI inflows





Appendix 8 – Annual growth rate of exports and imports

Source: General Statistical Office of Viet Nam



Appendix 9 - Financial Performance of SOEs in 2000

Source: GSO (2002)- The results of the enterprise census at 1st April 2001, Statistical Publishing House, Hanoi.

Glossary

CSR - Corporate Social Responsibility.

FIC - Foreign Invested Company.

ILO - International Labour Organisation.

JSC – Joint Stock Company

SME - Small Medium Enterprise.

SOE - State-owned Enterprise.

VINASTAS – Viet Nam Standard and Consumers Association.