

Corporate Social Responsibility in Vietnam Integration or Mere Adaptation?

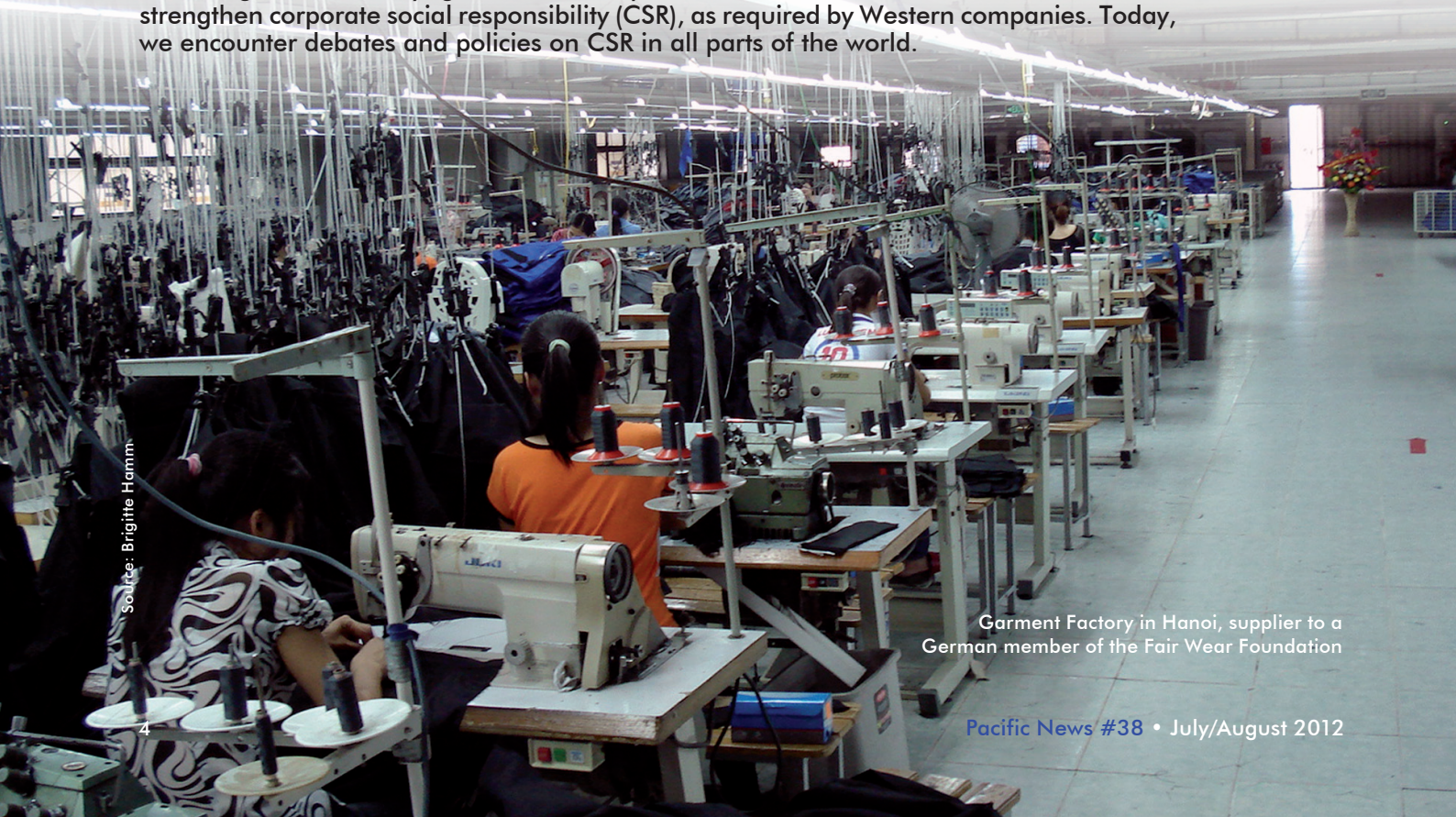
Brigitte Hamm

Abstract: Initially, corporate social responsibility (CSR) had been a movement of businesses emphasising the willingness to behave ethically and simultaneously drawing a profit from this. Increasingly however, the topic became integrated into the broader concern of how to govern the global economy. In this article, CSR is understood as an institution of transnational governance. CSR has been exported by Western actors to production countries of the Global South. Against this background one of the questions raised revolves around the relevance of the domestic embeddedness of CSR. In Vietnam transnational corporations, development agencies of Western donor countries and international organisations have been drivers of CSR. The concept is taken up in a pragmatic way using the term in regard to varying issues, thereby emphasising the competitive advantage for the country. Until today, a public CSR policy is lacking in Vietnam, and also the responsibility within the government needs to be further clarified.

Keywords: Corporate Social Responsibility (CSR); Vietnam, Private Governance; Global Governance; Globalisation

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In the past decades, the production of goods, especially in labour-intensive sectors such as the textile, garment and electronics industries, was outsourced by major brand firms to countries with cheap labor and weak enforcement of labor rights. Often these are located in Asia, with prominent examples being China and India, but also Bangladesh, Cambodia and Vietnam. To many observers, Myanmar/ Burma will be the country that offers even cheaper labor force in the near future. In competition among each other, governments of such countries wish to attract foreign direct investment (FDI) and other foreign business activities by rendering favorable conditions of production often at the cost of weak regulatory standards. However, Western brands not only ask for cheap production conditions, but under the pressure of civil society actors in consumer countries, they increasingly request the respect of suppliers for social and environmental standards, for example through compliance with codes of conduct. Thus, in their attempt to increase their integration into the global economy, governments of production countries also enhance activities to strengthen corporate social responsibility (CSR), as required by Western companies. Today, we encounter debates and policies on CSR in all parts of the world.



Garment Factory in Hanoi, supplier to a German member of the Fair Wear Foundation

Parallel to the process of economic globalisation, these debates have emerged since the 1980s. Companies have supported this trend, *inter alia* because the focus of CSR on voluntariness corresponds well to the neoliberal course of the globalisation with the emphasis on flexibilisation, deregulation and privatisation (Utting, 2005). At the same time, a strong transnationally organised anti-globalisation movement that has boosted since the early 1990s took up the topic, linking CSR with demands for corporate accountability and corporate responsibility for human rights.

This article will direct the attention to CSR in Vietnam. Questions covered relate to the emergence of the CSR debate in that country. Who are the actors involved? How is CSR becoming embedded in Vietnam?

The research partly rests upon interviews which were carried out in the context of two projects during several research trips to Vietnam since 2010¹. These were designed as structured face-to-face interviews. Interviewees were CSR representatives of transnational corporations (TNCs) in Vietnam, suppliers and representatives of national business associations. Further interview partners represented other stakeholder groups such as international organisations, German organisations active in Vietnam, civil society organisations and unions as well as ministries and further stakeholders close to the government.

CSR and Private Governance

Today, the term CSR may be taken as a catch-all phrase for discussing the responsibility of businesses in the global economy. However, in spite of the popularity of the term, a lack of conceptual clarity remains, which is expressed by varying understandings of what CSR should entail. The vagueness of the concept is extensively discussed in the Oxford Handbook of Corporate Social Responsibility (Crane et al., 2008). In 2011, the European Commission presented its second communication on CSR, defining it as “the responsibility of enterprises for their impacts on society” (European Commission, 2011, 6). This most recent definition abandons the focus on voluntariness and instead underlines due diligence and accountability as comments of the Commission reveal: “To fully meet their cor-

porate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of 1) maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large and 2) of identifying, preventing and mitigating their possible adverse impacts.” (ibid.)

The shift to due diligence and accountability reflects the impact of the debate on ‘Business and Human Rights’ on the topic of CSR. This debate has especially emerged with the nomination of John Ruggie as United Nations Special Representative of the Secretary General for Business and Human Rights in 2005. Ruggie sees a need for adequately closing so-called governance gaps created by globalisation (United Nations, 2008, 5). This particularly refers to measures of self- and co-regulation as demanded in the context of due diligence. In June 2011, the UN Guiding Principles on Business and Human Rights (Guiding Principles) were launched, which are based on Ruggie’s UN “Protect, Respect and Remedy” Framework. This Framework is built on three pillars, namely the state duty to protect, the corporate responsibility to respect, and access to remedy. As a consequence, the governance contributions and interaction of the state and of private actors gained further attention, and human rights were included in key policy documents on the topic of corporate social responsibility.

More or less parallel to this political development and reflecting it, CSR and private governance have increasingly become linked in the academic literature (e. g. Brammer et al., 2012; Fransen, 2012). This linkage means that normative discussions on CSR are complemented with the reflection of the role of business in society. The focus lies on the question of how corporations manage their operations globally, placing CSR within the wider field of “[...] economic governance characterised by different modes, including the market, state regulation and beyond.” (Brammer et al., 2012, 7)

Characteristic for new modes of CSR governance is the inclusion of non-state actors – above all business and civil society. Decision-making

takes place along vertical and horizontal levels, through formal and informal coordination and varying mechanisms of enforcement and control. In addition to state regulation and international regimes, other types of formal and informal agreements emerge with soft law instruments such as the above-mentioned Guiding Principles or corporate codes of conduct. Private control mechanisms such as labelling, auditing, and certification are increasingly becoming important. Thus, state regulation is complemented and sometimes substituted by activities of private actors on multiple levels. Especially economic activities with transnational outreach are governed by a mix of state/ international regulation, market-based self-regulation and various systems of co-regulation, most often in the form of multi-stakeholder initiatives.

Brammer et al. (2012) propose understanding CSR as comprising a set of institutions in the sense of formal and informal rules, regulations and norms that enable or constrain behaviour of private governance at the transnational level. Accordingly, they perceive CSR as a means of transnational governance with influence and impact at all levels. Thereby, they distinguish between three areas. First, they point to transnational and global institutions with private, semi-private and public regulations, standards or self-commitments: Examples are the Global Compact or ISO26000. “These standards seek to institutionalize particular elements of CSR. [...] This new ‘public domain’ [...] with ‘global public policy networks’ [...] is [...] one of the most powerful sources of isomorphic pressure to institutionalize CSR in business” (Brammer et al., 2012, 15f). Also, institutionalisation of CSR takes place as corporate governance within the transnational organizational structure of TNCs, for example with the implementation of codes of conduct. Moreover, new modes of international and transnational governance emerge with Western norms being spread leading to institutional changes in countries of the Global South.

These transnational CSR endeavors encounter varying institutional settings at the national and local levels. The variations of CSR policies following different traditions and cultures have been discussed extensively (e. g., Bertelsmann Stiftung, 2007; Visser

& Tolhurst, 2010). One of the questions raised revolves around the linkage between CSR as a globally travelling concept and its domestic embeddedness. Thereby, reference is made to the rootedness of business ethics in religions such as Christianity and Confucianism. All over the world, the most often encountered traditional forms of corporate responsibility are expressions of philanthropy.

CSR in Vietnam

Especially since the early 2000s, Asia has become a prominent focus of CSR research (see Chapple & Moon, 2007). The topic is also considered as being of importance by ASEAN of which Vietnam is a member.

In spite of regional initiatives, the main proponents for spreading CSR in Asia still are Western TNCs (Debroux, 2006, 17) and up to now, the major CSR topic in Asian countries has been environmental standards (Chapple & Moon, 2007, 185; Debroux, 2008, 25). This is also the case in Vietnam with a regularly cited scandal of corporate misbehaviour that had been made public here in 2008. It refers to the violation of environmental standards by the Taiwanese food manufacturer Vedan who was accused of illegally dumping waste in the Thi Vai River from its Monosodium Glutamate (MSG) plant for about 14 years (Nguyen & Pham, 2011).

The proposal of Brammer et al. (2012) to perceive of CSR as an institution of transnational governance perfectly applies to the situation in Vietnam, because CSR is predominantly pushed by international and transnational actors. At the same time, the topic has been taken up as an important concern in the transition process from a planned to a so-called socialist market economy. Thereby, the Doi Moi renovation of 1986 with the admittance and encouragement of privately-owned enterprises besides state-owned enterprises was the initial spark for a dynamic economic development with the aim for a better integration into the global economy. The entrance of Vietnam to the WTO in 2007 was a further step in this direction. The topic of CSR is understood to fit well into this overall policy goal of further developing the Vietnamese economy to an export-orientated market economy.

Following the Vietnam Chamber of Commerce (VCCI), CSR was

first introduced by TNCs who asked their suppliers to implement codes of conduct (Nguyen, 2007). In 2003, the topic was brought to the Vietnamese government through the World Bank. The country was a part of the World Bank's program *Strengthening developing country governments' engagement with Corporate Social Responsibility* which "was set up to explore the potential roles of the public sector within developing countries to encourage and strengthen [...] CSR" (Twose & Rao, 2003, 1). The research focused on the footwear and garment industry which is the second largest export sector of the country after crude oil. The results revealed governance challenges caused by contradictions between internal parameters, such as national laws and codes of conduct of TNCs. Furthermore, the report highlighted that the labor inspectorate needed to become more familiar with CSR demands. Opportunities were seen in an increase of competitiveness of the involved enterprises. Also, a positive relation between CSR implementation and law enforcement at the enterprise level was emphasized. The report concluded with six recommendations to the Government of Vietnam, with the Ministry of Labor, Invalids and Social Affairs (MOLISA) being addressed explicitly. They were directed towards enhancing CSR in Vietnam, giving guidance to buyers and harmonising international demands with national and local conditions. However, it seems that in the following years MOLISA did not take over an active role in this respect, and up to now one major characteristic of CSR in Vietnam is the lack of a coherent public CSR policy. Challenges may be the lack of a respective legal foundation, weak law enforcement and also corruption may be hindering the development of such a policy. Today, there are attempts by the government to enhance CSR through laws such as the labor code and the reform of the union law. It also seems that TNCs and their associations such as the European and American Chambers of Commerce more and more address the Vietnamese government not only to establish a business-friendly surrounding for doing business in the country, but also raise social issues such as decent wages as a means against the increasing number of wild cat strikes.

At present, the major public actor

with respect to CSR seems to be the VCCI. However, also the VCCI appears as a weak actor for entrenching CSR, partly because of a lack of external funding and also corruption may be an issue. Nevertheless, the VCCI is active in many topic-related international initiatives.

The Global Compact Network Vietnam (GCNV), for example, was launched in 2007 as the cooperation of the United Nations (UN) and the VCCI. This endeavor was supported by the Spanish Agency for International Cooperation (AECI) and Unilever Vietnam. According to the official website the GCNV has the goal "to be the national corporate social responsibility centre of excellence". Also, according to the website, the GCNV had "over 95 active members, consisting of national and international companies, non-governmental organisations (NGOs), academic, United Nations (UN) and government agencies" in 2011. While the network was growing until 2010, it seems to be stagnating since then. Moreover, the UNDP recently withdrew its support. It seems that up to now the GCNV cannot take over the role of facilitator of CSR activities in Vietnam.

An important international initiative to spread the idea of CSR among Vietnamese enterprises is the project of the United Nations Industrial Development Organization (UNIDO) *Helping Vietnamese SMEs Adapt and Adopt CSR for Improved Linkages with Global Supply Chains in Sustainable Production*. It is financed by the European Union and one important counterpart from the Vietnamese side again is the VCCI. The aim of the project is to raise awareness and entrench CSR standards in small and medium enterprises in Vietnam, thus enhancing their competitiveness towards global buyers. In order to reach this aim, UNIDO is cooperating with universities, ministries, civil society organisations and local networks.

Also other development agencies of Western donor countries and international organisations have initiated projects to enhance CSR in Vietnam, and often VCCI is an important partner. A very recent initiative that is financed by the US State Department is of the Fair Labor Association (FLA), a multi-stakeholder initiative in the USA with transnational outreach. FLA and VCCI agreed to a project to enhance



Source: Michael Waibel 2008

In Vietnam, labour migrants are often suffering from precarious employment- and housing conditions

social standards in 50 garment factories, who are suppliers of big Western brand firms. Beside these factories and the buyers also MOLISA and the Vietnam General Confederation of Labour (VGCL) are partners in the project.

Similar to the VCCI the VGCL is more or less a government body. While some deplore that VGCL is not acting as a trade union standing up for workers' rights, others also see a positive development because VGCL branches are increasingly cooperating with unions from Western countries thereby taking up the topic of CSR in order to strengthen labour rights. Moreover, the government seems to be willing to grant the unions more autonomy via the reform of trade union law, which may strengthen their role as stakeholder for workers' interests (Chan & Wang, 2003).

According to the Bertelsmann Stiftung (2007, 182) the incorporation of further external nonstate actors into agenda-setting, such as NGOs, is also important for the enhancement of CSR in the country. In addition to transnational NGOs such as OXFAM, national NGOs play an increasing role in the institutionalisation of CSR. Mostly, they are networking with Wes-

tern transnational NGOs. An example is the Center for Development and Integration (CDI) which is also an active promoter of the 'Business and Human Rights' discourse to Vietnam.

While these various transnational activities are meant to strengthen CSR as a mode of governing the Vietnamese economy for the purpose of global market integration, we find many expressions of philanthropy as more traditional commitments of business to the communities and the overall society. It seems that these two types of CSR more or less coexist. However, the tradition of philanthropy may be a fertile soil for the reception of CSR in the Vietnamese society in the future.

Conclusion

Up to now there scarcely existed empirical research on CSR governance in Vietnam. This article intended to make a very first step in this direction by looking at the various actors involved and focusing on the transnational dimension of CSR governance. Further empirical research of how CSR governance in Vietnam functions is needed. Looking at Vietnam, we encounter increasing activities of and for enhancing CSR. Predominantly, this has been

driven by Western actors – TNCs, development agencies and transnational NGOs. The proposal of Brammer et al. (2012) to understand CSR as an institution of transnational governance fits well to understand the approach to CSR in Vietnam. We encounter international projects and initiatives, which are partly set up in the form of multi-stakeholder initiatives. At the same time the open question for further empirical research refers to the Vietnamese ownership of these initiatives.

It seems there is a rather pragmatic reception of Corporate Social Responsibility in Vietnam because Western buyers ask for it, funding is being provided to enhance the topic at the political level and as a research focus, and furthermore an overall competitive advantage in the global economy is expected. Up to now however, there is no clear responsibility for CSR within the government. More or less parallel and scarcely linked is a traditional focus on philanthropy or community investment. Following Visser (2010, XXV) this is typical for developing countries and often goes hand in hand with a mere superficial adaptation of Corporate Social Responsibility as a marketing strategy.



Participants at the CSR-UNIDO-Workshop in Hanoi, December 2011
(Source: Florian Beranek)

Endnotes

- [1] From 2010 to 2011, the author was head of the research project “Social Market Economy: Potential for Poverty Reduction and the Development of Labour Rights in Vietnam. A Vietnamese-German Research Cooperation”. It was financed by Misereor, the German Catholic Bishops’ Organisation for Development Cooperation. In the course of this project, a research cooperation with the Vietnamese Academy of Social Sciences (VASS) on the topic of CSR has been established. The author has continued her work on labor conditions in the garment industry in Vietnam as head of her current research project “Human Rights, Corporate Responsibility and Sustainable Development”.
- [2] See <http://www.csr-weltweit.de/en/laenderprofile/profil/vietnam/index.nc.html> (30th April, 2012).
- [3] According to the Financial Times the number of wildcat strikes doubled in 2011. <http://www.ft.com/intl/cms/s/0/67380b5c-427e-11e1-97b1-00144feab49a.html> (24th January, 2012).
- [4] See <http://globalcompactcritics.blogspot.com/2007/09/un-globalcompact-network-launched-in.html> (18th April, 2012).
- [5] See <http://www.globalcompactvietnam.org/> (18th April, 2012).
- [6] See <http://www.fairlabor.org/our->

work/special-projects/project/promoting-sustainable-corporate-social-responsibility-vietnam (04th May, 2012).

[7] Examples are Tencati et al. (2008), ILSSA (2004) and UNIDO (2010).

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Dr. Brigitte Hamm [brigitte.hamm@uni-due.de], is senior researcher at the Institute for Development and Peace (INEF) of the University of Duisburg-Essen / GE, Lotharstr. 53, 47057 Duisburg, Germany.