

Corporate Social Responsibility in Vietnam: Current Practices, Outlook, and Challenges for Japanese Corporations

Observations from the Leader of the CBCC Dialogue Mission on CSR to Vietnam

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Vietnam is a member of the World Trade Organization, and it has begun negotiating with Japan on the terms of an economic partnership agreement (EPA). There is every reason to believe that economic ties between Japan and Vietnam will continue to grow. Against this backdrop, it is important that Japanese firms operating in Vietnam fully understand and practice corporate social responsibility (CSR).

With this conviction, the CBCC Dialogue Mission on CSR to Vietnam was dispatched from September 24 to 28, 2007. Our mission met with members of the national government and the Chamber of Commerce and Industry, Japanese companies operating there, associations promoting CSR practices, and NGOs. Discussions included the local perspective on CSR, and the potential of Japanese CSR activities. While in Ho Chi Minh City, mission members participated in the Asian Forum on CSR, which drew 550 delegates from throughout Asia. This provided an opportunity to introduce the activities of Nippon Keidanren (Japan Business Federation) and the CBCC to people from different parts of the world.

The following are the main results of our discussions in Vietnam.

1. CSR Practices and Outlook in Vietnam Today

(a) Advanced legislation, irregular enforcement

The Doi Moi reforms and open-door policies have achieved high economic growth in Vietnam — in 2006, GDP grew by 8.2%. Major social problems remain, however, most notably the gap between rich and poor, environmental degradation (e.g., air and water pollution, and poor waste disposal), and a rapid increase in motorcycle accidents.

The government has introduced new rules and regulations to address these issues, and has also strengthened its legal implementation mechanisms, but enforcement is sporadic, legal interpretations vary, and corruption remains a problem. Because the legislation is not uniformly applied, local Japanese affiliates are experiencing serious difficulties.

(b) Efforts to protect the environment by the Vietnamese government

Faced with worsening environmental problems, the Vietnamese government has created new regulations, best represented by the new Environment Protection Law and the Vietnam Agenda 21 for sustainable development. It has also strengthened enforcement measures against companies that pollute, as can be seen by the establishment of the

Environmental Police, and special fees levied on the emission of polluted wastewater. In these and other ways, the government is calling on companies to protect the environment and promote safety and health in the workplace.

However, Vietnam lacks the capital and technology necessary to properly address wastewater and waste disposal issues. It must depend on foreign investment and technical assistance to construct environmental conservation infrastructure and facilities, and to maintain environmental services. Our mission heard urgent calls for such assistance from Japan.

Japan should supply technology that protects the environment and conserves energy, but first the Vietnamese government should indicate, through word and deed, that it is taking the initiative in resolving environmental problems. Otherwise, no matter what form of assistance Japan might offer, sustainable environmental improvement would not be achieved in Vietnam. We believe that the international community should support Vietnam in ways that help it to develop the capacity to resolve environmental problems on its own.

(c) CSR practices of Vietnamese enterprises

Vietnamese shoe manufacturers and textile industries began respecting CSR norms of conduct as a result of pressure from multinational corporations in developed countries. The Vietnamese government later began promoting corporate efforts to improve labor conditions and protect the environment, as part of its Vietnam Agenda 21 program.

Private-sector CSR efforts have recently begun, supported by the Vietnamese government. The Vietnam Business Links Initiative (VBLI), launched under the auspices of the Vietnam Chamber of Commerce and Industry, promotes close ties with international organizations, NGOs, and enterprises financed with foreign capital. VBLI offers consulting services and training programs that will improve the labor environment at small and medium-size shoe manufacturers and textile industries, and raises CSR awareness among such enterprises. In 2004 VBLI began giving out CSR awards to the most conscientious enterprises.

2. Challenges Facing Japanese Corporations, and the Role of the CBCC

(a) Partnerships with international organizations, NGOs and local initiatives: Promoting CSR practices effectively

Many Japanese firms in Vietnam are now engaged in CSR efforts aimed at addressing Vietnam's social problems. Some are, for example, pursuing education-related activities such as supporting the construction of elementary schools in poor areas and offering scholarships, and providing vocational training for workers. Unfortunately, few local stakeholders are aware of these types of efforts.

To help local communities gain a true appreciation of their philanthropy, the Japanese companies should work in partnership with other stakeholders, such as international organizations, government-affiliated development assistance agencies, NGOs and others.

It would be more effective to work with these stakeholders, rather than on their own, when helping Vietnam deal with its most pressing issues — poverty, environmental degradation, and the need for human resources development.

For example, the United Nations Industrial Development Organization (UNIDO) joined forces with the Vietnamese government to establish the Vietnam Cleaner Production Center, which helps Vietnamese enterprises install environmental management systems and follow green procurement practices. Here it is worth noting that the private sector, not government, often possesses eco-friendly technologies and management systems, and the Vietnamese government made clear to us its strong hope that Japanese corporations will introduce them to Vietnam. If the many years of experience and expertise in Japan's private sector were used to promote sustainable development in Vietnam, the local people would have an even more positive opinion of Japanese companies, and this would boost the competitiveness of Japanese companies over the long term.

Japanese companies can promote their CSR activities effectively by using resources strategically, working with other outside organizations in Vietnam that have specialized knowledge and expertise in relevant fields, or that have already established local networks.

(b) Enhanced lines of communication with local communities

If a Japanese firm operating overseas implements CSR practices entirely on its own, the full effect cannot be realized. Close coordination with the local community is essential. And so, for example:

- CSR activities should take into consideration the views of local staff;
- Local problems and needs should be discovered at the early planning stage, through dialogue with regional governments, the media, NGOs and others;
- CSR programs should be planned and implemented using the knowledge gained through dialogue with local staff and the above entities;
- Communication channels with stakeholders should be strengthened, to help companies provide information on the results of their efforts.

These measures would greatly help Japanese companies improve communication and strengthen their links with local networks.

Japanese firms operating in Vietnam should make a strategic effort to communicate their CSR policies and efforts to the Vietnamese public. Establishing tie-ups with the various stakeholders and participating in CSR symposiums are two ways to make progress toward this goal.

(c) Stronger ties between headquarters in Japan and overseas affiliates

A Japanese corporation that is active globally must ensure that the practices of its overseas affiliates and partners at every level of the supply chain are socially responsible. Their CSR practices should be determined according to local social and cultural circumstances. If the company pushes forward with one-size-fits-all CSR policies determined by headquarters, its CSR practices will not be effective at the local

level. At the same time, it must be recognized that overseas affiliates have limited human and financial resources.

Corporate headquarters in Japan need to take a local perspective. To obtain a good understanding of local problems and needs, and to offer appropriate material and intellectual support, they must maintain strong links and open communication with their overseas affiliates. Their local staff should be given the power to make decisions, and mechanisms should be established to assess CSR programs fairly, so that headquarters can obtain all relevant information on their CSR promotion systems and can modify them if necessary.

(d) Coordination with groups promoting CSR in Asia, and participation in international conferences

As mentioned above, we participated in the Asian Forum on CSR while in Vietnam. The CBCC's first participation was in 2005. This second time, our participation was stronger and the presence of Japanese corporations was more evident, with 20 delegates from Japan (five of them spoke during the proceedings).

Other forum participants expressed a strong interest in the initiatives taken by Nippon Keidanren and the CBCC. This made it clear that the Japanese private sector must work harder to communicate with people and entities abroad. Japanese corporations should play a proactive role promoting CSR practices in Asia, by participating actively in such international conferences in Asia that draw broad international attention, by presenting their views, and by providing information on their CSR programs and results. For its part, the CBCC intends to continue strengthening ties with groups that are promoting CSR practices in Asia.