



► Policy Brief

July 2023

Impacts of the chemical and pharmaceutical industries on the environment and working conditions in Viet Nam

Capacity-building of trade unions for a Just Transition

Key points

- The chemical and pharmaceutical industries in Viet Nam are an important economic sector. Approximately 2.6 per cent of the manufacturing workforce is employed by these industries, which contributed more than 6 per cent of output in the industrial sector in 2021.
- According to a recent study by the World Bank, due to the use of outdated techniques and technologies, Viet Nam emits up to 400 tons of carbon dioxide (CO₂) per US\$1 million worth of chemical industry goods produced. This means Viet Nam has one of the most wasteful chemical industries in the world.
- Starting from 10 January 2022, Viet Nam's environmental impact assessment (EIA) process must comply with the revised Law on Environmental Protection and follow the guidance of its supporting decrees and circulars. In addition, chemical and pharmaceutical projects must also comply with the mandatory provisions of the 2018 Law on Chemicals.
- In 2015, the National Assembly promulgated the Law on Occupational Safety and Health (OSH), which covers all employees with and without employment relations. In addition to regulations that are stipulated in the Law on OSH, chemical and pharmaceutical projects must also comply with requirements from other ministries and state agencies.
- Although Viet Nam has a relatively complete regulatory framework regarding environmental issues related to working and living conditions, there are some existing regulatory and compliance gaps.
- There are a number of factors that can drive the chemical and pharmaceutical industries towards sustainable business practices, namely: (1) Viet Nam's commitment to achieving net-zero goals; (2) the chemical industry development strategy; (3) the current regulatory framework; (4) free trade agreements; and (5) pressure from buyers.

Introduction

Viet Nam's chemical and pharmaceutical industries represent an essential economic sector. In 2021, the chemical industry contributed 6 per cent of industrial sector output.¹ With almost 200,000 workers in their production facilities, the chemical and pharmaceutical industries employed approximately 2.6 per cent of the

manufacturing workforce in 2020.² The share of women employed in the chemical industry decreased from 33 per cent to 31.7 per cent between 2010 and 2020. The share of women employed in the pharmaceutical industry is higher than in chemicals, at around 50 per cent, albeit with a declining trend.

¹ UNIDO, INDSTAT 2 2023, ISIC Revision 3 database, accessed 10 June 2023.

² UNIDO, INDSTAT 4 2023, ISIC Revision 4 database, accessed 10 June 2023.

To step up efforts towards a growth scenario that is economically viable, environmentally sustainable, socially inclusive, and responsible for the safety and health of workers and communities, all stakeholders should be involved in designing and implementing pathways for sustainable development. For workers engaged in the two industries, the challenge is ensuring a Just Transition that creates more decent work while limiting adverse impacts on the environment. To further this process, the ILO's Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All³ provide policy proposals and practical tools for structuring discussions, actions and investments. The Guidelines also include mechanisms for social dialogue among governments, trade unions and employers' organizations throughout policymaking processes at all levels.

This policy brief has been developed through research done as part of a project aimed at building the capacity of trade unions concerning the ILO Guidelines for a Just Transition and encouraging them to launch campaigns aimed at securing a safe, secure and sustainable environment, society and workplace for all. The ability of trade unions to translate current knowledge about environmental policies and employment challenges into effective strategies for a Just Transition based on social dialogue needs to be improved and expanded. The project eventually aims to secure a sustainable environment for safer workplaces, cleaner production, lower greenhouse gas emissions and decent work in the chemical and pharmaceutical sectors.

Methodology

This policy brief was developed through two activities: (i) desktop-based identification and documentation; and (ii) in-depth stakeholder interviews.

- Desktop research was conducted by identified existing regulations, environmental tools, initiatives, and activities in Viet Nam's chemical and pharmaceutical industries. This information was identified using internet searches, information from previous ILO and other UN agency activities in the sector, and advice from industry stakeholders. Sources for this analysis include environmental legislation, regulations and

guidelines for the environmental impact assessment (EIA) process, as well as academic and industry literature.

- The interviews were conducted with various stakeholders within the chemical and pharmaceutical industries. The interviewees represent a diverse array of stakeholders, including enterprises, workers, trade unions, experts, and other sector-relevant actors. Two sets of semi-structured questionnaires were developed to conduct these interviews.

Overview of the chemical industry in Viet Nam

As noted above, Viet Nam's chemical industry makes up about 6 per cent of the country's total manufacturing output and employs more than 2 per cent of the total manufacturing workforce. In 2020, more than 1,800 chemical manufacturing companies were distributed throughout the country, according to the Department of Chemicals of the Ministry of Industry and Trade. Of these companies, 894 (or roughly 49 per cent) are enterprises producing fertilizers.⁴

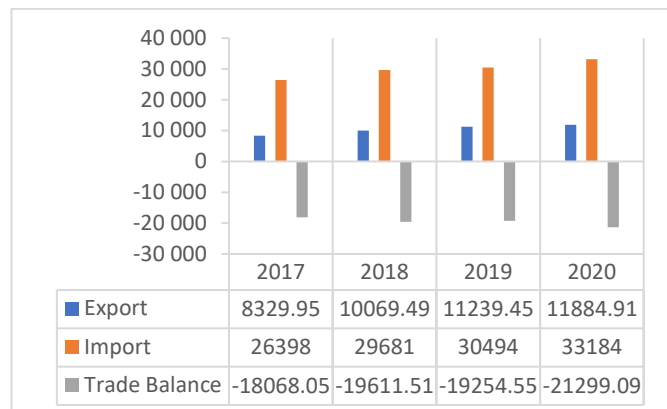
The value of chemical exports has increased steadily over the years, with chemical exports in 2020 accounting for 4 per cent of the country's total exports by value. For the chemical and chemical product manufacturing industry (excluding the production of drugs, pharmaceutical chemicals, and medicinal herbs), the export value in 2020 increased by 7.3 per cent compared to 2019.⁵

³ ILO, *Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All*, 2015.

⁴ Thang Long, "Hóa chất hướng tới mục tiêu ngành công nghiệp nền tảng hiện đại", *Vietnam Trade and Industry Review*, 27 October 2021.

⁵ Viet Nam, Ministry of Industry and Trade, *Report: Vietnam Chemical Industry Development Strategy to 2030, with a Vision toward 2040*, 2021.

► **Figure 1. Viet Nam's chemical trade balance, 2017–20 (million US\$)**

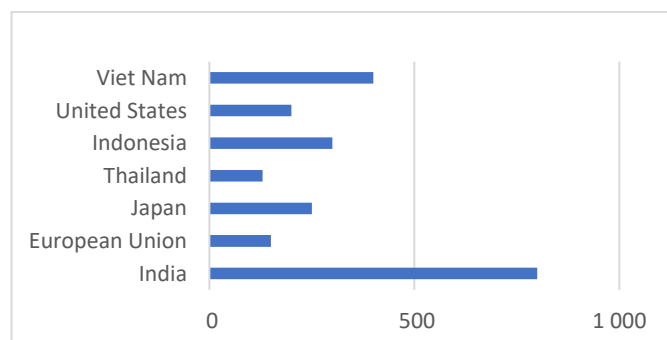


Source: Viet Nam, Ministry of Industry and Trade 2021.

In the period of 2015–20, the Viet Nam's balance of trade in chemicals was negative. This reflects the fact that Viet Nam's demand for chemicals has increased rapidly to serve production and promote economic growth, while internal production capacity has not yet caught up with demand.

According to a recent study by the World Bank, due to the use of outdated techniques and technologies, Viet Nam emits up to 400 tons of carbon dioxide (CO₂) per US\$1 million worth of chemical industry goods produced. This makes Viet Nam one of the most carbon-intensive chemical industries in the world.⁶

► **Figure 2. Emission intensity of the chemical industry in selected countries/regions (tons of CO₂ per US\$1 million of goods produced)**



Source: World Bank 2022.

⁶ World Bank, *No Time to Waste: The Challenges and Opportunities of Cleaner Trade for Vietnam*, 2022.

⁷ VietnamCredit, "Overview of Vietnam's pharmaceutical industry 2021", 12 March 2021.

⁸ KPMG, *Value of Innovation in Vietnam: Refreshing Potential of Vietnam's Innovative Pharmaceutical Industry*, 2022, p. 9.

⁹ Minh Duc, "Thị trường dược phẩm của Việt Nam sẽ đạt 7,7 tỉ USD trong năm nay", *Tax Journal*, 14 December 2021.

Overview of the pharmaceutical industry in Viet Nam

Viet Nam's pharmaceutical industry is classified as being among the "Pharmerging Markets" by the IQVIA Institute – a group of 17 countries with the highest growth in the pharmaceutical industry in the world, with an average growth rate of 14.8 per cent in 2010–19.⁷ However, Viet Nam's per capita health expenditure in 2021 was only US\$243, which is relatively low when compared to other countries in the region such as Malaysia (US\$502), Thailand (US\$335), and Singapore (US\$3,309). With health spending per capita expected to reach US\$402 in 2025, Viet Nam is still far from neighbouring countries, demonstrating the potential for growth in the market.⁸ According to some research, the pharmaceutical industry will continue to experience double-digit growth over the next five years, reaching US\$16.1 billion in 2026, with a compound growth rate of 11 per cent.⁹

To improve the quality standards of pharmaceuticals and dietary supplements on the market, the Government of Viet Nam issued Decree 15/2018/ND-CP requiring all pharmaceutical manufacturing facilities, as of July 2019, to have a GMP (Good Manufacturing Practice) Certificate in order to be able to operate.¹⁰ This certificate sets strict requirements and standards in the manufacturing process, which effectively forces poor quality producers to close. Before 2019, Viet Nam had about 4,000 establishments producing pharmaceuticals, dietary supplements and functional foods.¹¹ However, there are currently only 271 of these kinds of establishments.¹² In addition, there are only six packaging establishments that are eligible to operate because they have GMP Certificate.¹³

The environmental impact assessment (EIA) system

The EIA process in general

Starting from 10 January 2022, Viet Nam's environmental impact assessment (EIA) process must comply with the

¹⁰ Decree 15/2018/ND-CP issued on 2 February 2018 on the elaboration of some articles of the Law of Food Safety.

¹¹ Vietnam Food Administration, "Press Release on Sau 1/7/2019 các cơ sở sản xuất thực phẩm chức năng phải đạt tiêu chuẩn GMP", 25 July 2018.

¹² Ministry of Health, "List of Domestic Establishments that Meet the Standards of GMP", 18 May 2023.

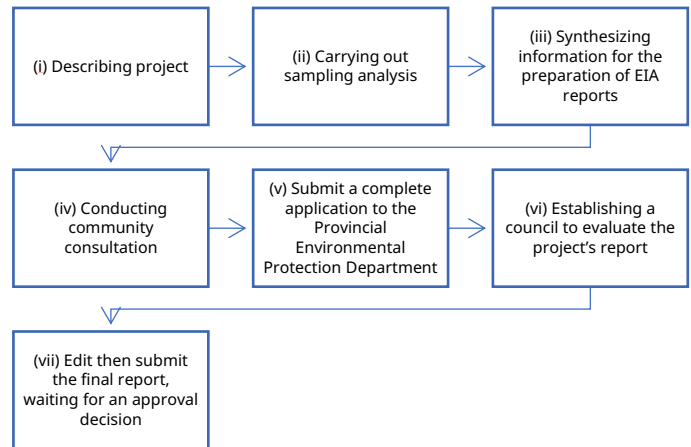
¹³ Ministry of Health, "List of Domestic Establishments that Meet the Standards of Pharmaceutical Packaging GMP", 18 May 2023.

revised Law on Environmental Protection (LEP) 2020¹⁴ and follow the guidance of Government Decree No. 08/2022/ND-CP and Ministry of Natural Resources and Environment (MONRE) Circular No. 02/2022/TT-BTNMT. The new Decree and Circular add detailed guidelines for implementing the LEP, stipulate the uniform use of forms issued by the MONRE, and repeal a series of decrees and circulars guiding the implementation of previous laws.

The LEP identifies residential communities as a subject of environmental protection. It integrates and promotes green, circular and low-carbon economy models in formulating and implementing strategies, programmes, schemes and projects. The LEP stipulates strategic environmental assessment at the national level, with planning and evaluation criteria for projects in each sector and each locality. It also adds a policy on investment project screening based on environmental criteria and supplements and clearly defines the responsibilities of the MONRE, other ministries and other relevant establishments to ensure implementation and effective performance in terms of ozone layer protection.

As of the beginning of 2022, new regulations from the Government and the MONRE only stipulate three procedures: (i) preparing an EIA report; (ii) securing an Environmental License; and (iii) Environmental Registration.¹⁵ The project owner is responsible for carrying out the EIA by themselves or through a qualified consultant as prescribed in article 19 of the LEP. The project owner takes responsibility for the results of the EIA, as well as for the information and data used in the EIA report.

► **Figure 2. The EIA process in general**



Source: *Law on Environmental Protection 2020, Chapter IV, section 3.*

When assessing environmental impacts, project owners must consult with two groups: (i) residential communities and individuals directly affected by the project's environmental impacts; and (ii) government agencies and organizations directly related to the investment project.

The evaluation council is required to have at least seven members, with at least one-third of the total members being experts. Experts that work on preparing the project's EIA report cannot participate in the evaluation council. If a project involves wastewater discharge into irrigation systems, the evaluation council must have a representative from the state agency managing such systems.

If, following EIA approval but before project commencement, there is a change in situation that might have affected the original EIA appraisal, the project owner must:

- Re-assess the EIA when a change in production scale, capacity, technology, or elsewhere increases the negative environmental impact.
- Report to the state agency for consideration of whether there is a need to issue a new Environmental License.
- Self-assess the effects on the environment. Consider and take responsibility for other changes.

¹⁴ Law on Environmental Protection, No. 72/2020/QH14 (2020).

¹⁵ Government Decree 08/2022/ND-CP detailing a number of articles of the Law on Environmental Protection (2022) and Ministry of Natural Resources

and Environment Circular 02/2022/TT-BTNMT Detailing the Implementation of a Number of Articles of the Law on Environmental Protection (2022).

- Publish the approved EIA report, except for information classified as state or enterprise secrets as prescribed by law.

The EIA process for the chemical and pharmaceutical industries

In addition to the EIA process mentioned above, chemical and pharmaceutical projects must also comply with the mandatory provisions of the 2018 Law on Chemicals.¹⁶

Accordingly, article 10 of the Law on Chemicals stipulates that chemical production and trading project owners must use technologies that ensure environmental standards and minimize hazardous chemicals and chemical waste. In addition, project owners must also develop measures or plans to prevent and respond to chemical incidents. They must coordinate with local authorities to collect the opinions of the surrounding residential community on measures to protect the environment in line with the LEP. This regulation complies with the policy coherence framework of the ILO Just Transition Guidelines related to stakeholder coherence.

Article 11 of the Law on Chemicals also requires these establishments to ensure the safety of workers, public health, and the environment. They must regularly inspect, maintain and operate the safety system and waste treatment system. State management agencies are responsible for guiding, examining and inspecting safety in chemical production and trading.

Additionally, the Government has promulgated three lists of dangerous chemicals, based on the hazardous characteristics of the chemicals, their use, and the scale of production. Using chemicals on these lists requires some additional specific requirements.

In conclusion, in addition to the normal EIA process, chemical production and trading projects must also meet the requirements for physical and technical facilities in chemical production and trading. They also must comply with professional requirements for managers and workers who work directly with chemicals. In regard to hazardous chemicals, enterprises are required to have a certificate or license in order to use and trade these materials and have other approved specific reports and plans. Chemical business projects also have stricter requirements than normal business projects in regard to maintaining a safe distance from residential areas, their location, and the

design of factories and warehouses. Projects using banned chemicals need the approval of the Prime Minister in order to be implemented.

Existing regulatory and compliance gaps in the EIA system

The newly revised Law on Environmental Protection (LEP) has made many adjustments in the management of the EIA process compared to previous legislation. The changes simplify procedures, reduce the time and work needed to implement projects, and are harmonized with international rules and practices. However, there are existing regulatory and compliance gaps regarding the EIA system, as follows:

- Enterprises may be unable to keep up with the ever-changing regulations, especially the newly revised LEP and its supporting decrees and circulars.
- The enforcement of public consultation needs to be strengthened. There is a chance that project owners will make a minimal commitment to gain communities' support and then fail to follow through.
- There is a need for increased community participation in monitoring the environment surrounding chemical and pharmaceutical projects. Current requirements regarding the involvement of the community are inadequate.
- There is a lack of monitoring and enforcement of existing regulations on the environment, including a lack of inspectors with chemical and pharmaceutical expertise. The post-EIA inspection procedure must be bolstered.
- State management agencies in charge of environmental issues are both the unit approving the project and the unit inspecting the project, which may result in a conflict of interest.
- There is a lack of gender equality criteria in the EIA process.

Occupational safety and health (OSH) requirements

In 2015, the National Assembly of Viet Nam promulgated the Law on OSH No. 84/2015/QH13, which covers all workers, including those with and without employment relations.

¹⁶ Law on Chemicals 10/2018/VBHN-VPQH (2019).

In addition to the regulations that are stipulated in the Law on OSH, chemical and pharmaceutical projects must also comply with the following:

- requirements of the Ministry of Health on the allowable exposure limit values for 50 chemical elements at work for establishments using chemicals;¹⁷
- requirements of the Ministry of Labour, Invalids and Social Affairs (MOLISA) on three types of work related to chemicals that require relevant workers to undertake OSH training;¹⁸
- requirements of the Ministry of Industry and Trade (MOIT) on training employers and employees on chemical safety training;¹⁹
- requirements of the MOIT on the Material Safety Data Sheet (MSDS), a document containing data related to the properties of a particular chemical;²⁰
- requirements of the Ministry of Natural Resources and Environment on managing hazardous chemicals;²¹ and
- unscheduled inspections by the Department of Industry and Trade.²²

OSH practices in Viet Nam

The National Council on OSH, established by the Government in 2016²³, has held periodic dialogues with representatives of employers and employees since 2017.²⁴ Currently, the Minister of the MOLISA is the Chairman of the Council. This advisory council is consistent with Article 4 of the ILO Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187), which calls for a national tripartite advisory council on OSH (where appropriate). At the same time, the participation of sectors and organizations in the National Council on OSH has also demonstrated the horizontal coherence mechanism defined and mentioned in the ILO Just Transition Guidelines.²⁵

This mechanism is also clearly demonstrated in implementing the National Program on OSH for 2021–2025. Many ministries, relevant ministerial-level agencies, and provincial and municipal People's Committees are assigned clear tasks to implement this programme jointly. In addition, on the World Day of Safety and Health at Work (28 April 2022), the MOLISA and the Viet Nam General Confederation of Labour launched both the Action Month on OSH and the Worker Month of 2022.²⁶

The situation of occupational accidents in Viet Nam in recent years

According to a MOLISA notice on occupational safety in 2021,²⁷ there were 6,504 cases of occupational accidents across the whole country (a reduction of 22.4 per cent, or 1,876 cases, compared to 2020). These occupational accidents resulted in 6,658 instances of injury or death among workers both with and without contracts (a reduction of 1,952 cases, or 22.67 per cent, compared to 2020). The decrease in occupational accidents compared to 2020 is possibly due to lockdowns stemming from the COVID-19 pandemic reducing the number of workers in workplaces. The occupational accidents that cause the greatest numbers of deaths include traffic accidents (36 per cent), trips and falls, collapses, electrical shock, and impacts from moving objects.

Serious occupational accidents for employees with labour contracts mainly occurred in the construction, mining and electronics sectors. Occupational accidents for workers without labour contracts occur primarily in the construction, agriculture, crafts, mechanics, and trade and services sectors. The garment and textile industry has the highest number of occupational accidents and deaths. Next on the list are the mining and mineral extraction sector, building materials production, the construction sector,

¹⁷ Ministry of Health National Technical Regulation No. 03: 2019/BYT on the Allowable Exposure Limit Values for 50 Chemical Elements at Work for Establishments Using Chemicals (2019).

¹⁸ Ministry of Labour, Invalids and Social Affairs Circular 13/2016/TT-BLDTBXH dated 16 June 2016 on Stipulated Work Regulations with Strict Requirements on Occupational Safety.

¹⁹ Ministry of Industry and Trade Circular No. 36/2014/TT-BCT on Chemical Safety Technical Training and Issuing of Certificates on Chemical Safety Specialized Training (2014).

²⁰ Ministry of Industry and Trade Circular 48/2020/TT-BCT dated 21 December 2020 on Safety Standards in the Production and Trading of Dangerous Chemicals.

²¹ Ministry of Natural Resources and Environment Circular 36/2015/TT-BTNMT on Hazardous Waste Management (2015).

²² Ministry of Industry and Trade Circular No. 07/2013/TT-BCT on the Registration of the Use of Dangerous Chemicals for the Production of Products and Goods in the Industrial Field (2013).

²³ Prime Ministerial Decision No. 1037/QĐ-TTg, dated 10 June 2016, on Establishing the National Council on Occupational Safety and Health.

²⁴ *Lao Dong Thu Do*, "Hội đồng Quốc gia về An toàn vệ sinh lao động tổ chức Đối thoại định kỳ năm 2022", 28 April 2022.

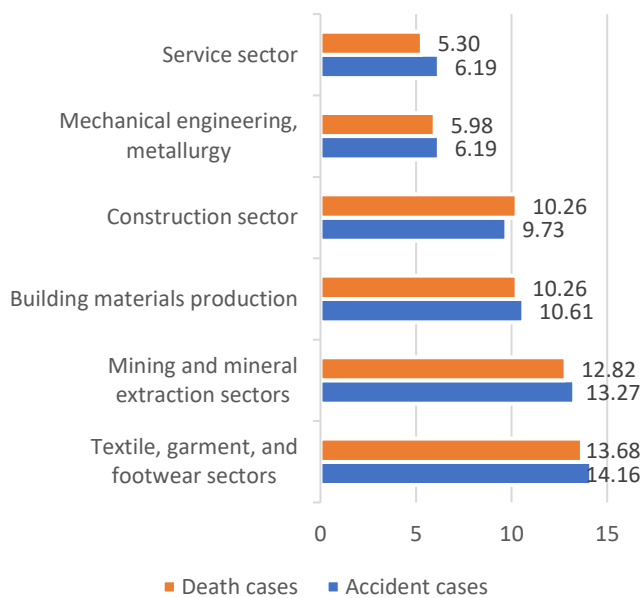
²⁵ Lene Olsen and Claire La Hovary, *User's Manual to the ILO's Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All* (ILO, 2021).

²⁶ Thu Cuc, "Phát động Tháng Hành động an toàn vệ sinh lao động và Tháng Công nhân 2022", *Báo Điện tử Chính phủ*, 28 April 2022.

²⁷ MOLISA Notice No. 843/TB-LDTBXH on the Situation of Occupational Accidents in 2021 (2022).

mechanical engineering and metallurgy sector, and the service sector.

► **Figure 3. Production and business sectors where fatal occupational accidents occur (%)**



Source: MOLISA Notice No. 843/TB-LDTBXH (2022).

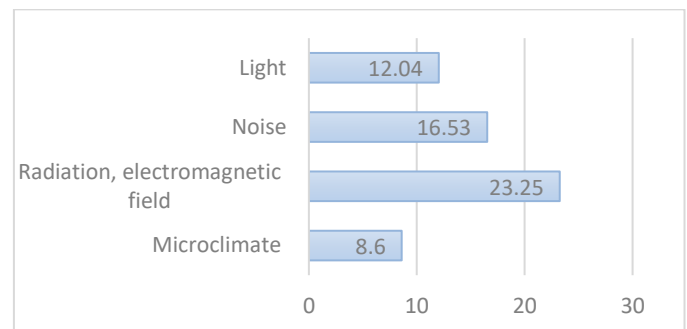
Status of working conditions in general

Workers suffer from 30 out of 34 occupational diseases, most commonly deafness, followed by bronchial asthma, silicosis, nicotine poisoning, etc. Workers' health is alarmingly low, but employers have not paid due attention to this. In 2017, only 20.4 per cent of the total of more than 61,000 establishments that made reports on the environment and workers' health had made occupational hygiene records; only more than 5,400 production facilities implemented working environment monitoring.²⁸

According to a 2014 study by the University of Public Health, chemical substances were responsible for 12/28 of Viet Nam's insured occupational diseases. The common occupational diseases in the chemical industry are chronic bronchitis, chronic bronchial asthma, lead and chemical poisoning, occupational pesticide poisoning, deafness caused by noise/explosions, and occupational tanning disease.²⁹

The Ministry of Health's annual report on the working environment monitoring of localities shows that the working environment at production facilities across the country still has many dangerous factors that directly affect workers' health.

► **Figure 4. Harmful factors have the highest percentage of samples that do not meet safety standards (%)**



Source: Trang 2017.

According to the Viet Nam Health Environment Management Agency, there was almost 2.5 million working environment monitoring samples in the manufacturing sector during 2011–16, of which 10 per cent did not meet acceptable standards.³⁰

Existing OSH regulatory and compliance gaps

The shortcomings and inadequacies arising in the state management of the chemical industry suggest that the Law on Chemicals is not meeting the requirements of the current situation. Limitations found in law and in regard to compliance include:

- Many regulations and requirements on OSH are not being implemented due to employers' and employees' lack of awareness, not because they are expensive or challenging to put in place.
- Lack of personnel dedicated to OSH issues in enterprises and lack of training on OSH.
- Overlap in the management of OSH issues when approving the EIA report. The EIA report approved by the Ministry of Natural Resources and Environment also contains regulations on OSH. Nonetheless, it is inspected

²⁸ Ministry of Health, "Bệnh nghề nghiệp: Không nên xem thường!", Ministry of Health Portal, 03 December 2018.

²⁹ Ministry of Health, "Bệnh nghề nghiệp trong ngành hóa chất và xây dựng", Ministry of Health Portal, 2014.

³⁰ Thu Trang, "Thực trạng môi trường lao động tại một số cơ sở sản xuất", Health Environment Management Agency Portal, 27 December 2017.

and supervised by the Ministry of Industry and Trade upon implementation.

- Craft villages, not enterprises, pose the greatest difficulty in enhancing the working environment as they are unafraid of taking risks and being fined.
- Lack of technical infrastructure and information on chemical management.
- According to the 2020 Labour and Employment Survey Report of the General Statistics Office, more than half of the labour force in Viet Nam did not have a labour contract and were not paying into insurance. According to the OSH Law, these people will not be fully entitled to OSH rights.
- Foreign workers are subject to different health insurance regulations than local employees.
- Lack of public data on occupational accidents by sector.

Factors driving the industries towards sustainable business practices

Driving forces are external factors that cause industries/organizations/enterprises to change their strategy. Below are some factors that can push the authorities to tighten the EIA process and OSH requirements in the chemical and pharmaceutical industries. In addition, these factors can also make enterprises more compliant with regulations, thereby driving the sectors towards more eco-friendly and OSH-compliant practices.

Viet Nam's commitment to achieving net-zero goals

Viet Nam is among the most vulnerable countries to the effects of climate change. It is predicted to be one of the top five nations hit hardest by climate change.³¹ There could be serious social and economic repercussions for the country if adaptation and mitigation efforts are not taken. In light of this reality, stakeholders across the country have begun making commitments and announcing policies to reduce emissions of greenhouse gases.

At the UN Climate Change Conference in Glasgow (COP26) in 2021, the Viet Nam Government pledged to gradually

reduce coal-fired thermal electricity production after 2035 and achieve net-zero carbon emissions by 2050. Viet Nam recently announced a 43.5 per cent reduction in emissions by 2030 in its National Strategy on Climate Change, along with sector-specific emissions targets for 2030 and 2050.³²

Viet Nam's chemical industry development strategy

On 16 June 2022, the Viet Nam Government approved the Strategy for Developing Viet Nam's Chemical Industry to 2030, with a Vision toward 2040.³³

According to this strategy, the general orientations are:

1. to rearrange existing production establishments to enhance concentration and develop large-scale establishments;
2. to maintain and develop production plants that employ advanced technologies; and
3. to gradually eliminate the existence of and minimize the establishment of new small-scale production establishments that employ obsolete technologies, use resources inefficiently, and produce low-quality products that contribute to environmental pollution.

The strategy emphasizes developing the chemical sector in a concentrated manner that ensures environmental protection is met. The aim is to gradually relocate chemical production plants to industrial parks/clusters for concentrated management that prevents the establishment of hazardous chemical plants that do not meet national technical regulations/standards for safety, environmental protection, and fire protection in densely populated or residential areas. The strategy also encourages the recirculation of technology and the factories making use of leftover goods and waste generated by other producers.

Additionally, the strategy emphasizes the move from quantity to quality in attracting foreign direct investment (FDI) in the chemical sector by encouraging FDI projects to adopt advanced, modern, environmentally-friendly technology, resulting in high socioeconomic efficiency.

³¹ World Bank, *Climate Risk Country Profile: Vietnam*, 2021.

³² Prime Ministerial Decision No. 896/QĐ-TTĐ: Approving the National Strategy for Climate Change until 2050 (2022).

³³ Prime Ministerial Decision No. 726/QĐ-TTĐ: The Viet Nam Chemical Industry Development Strategy by 2030 with a Vision towards 2040 (2022).

The regulatory framework

Viet Nam has a relatively complete regulatory framework regarding environmental issues linked to working and living conditions. The framework includes the Law on Environmental Protection 2020, the Law on Occupation Safety and Health, the Law on Chemicals, national technical regulations, and other supporting decrees and circulars. This regulatory framework provides details for implementation, as opposed to simply providing overarching regulations and policies. New legal requirements and procedures, including on waste management and environmental permits, have also been introduced, and businesses will be expected to familiarize themselves with them.

Viet Nam is also moving toward harmonizing its laws with international rules and practices. As of 1 January 2021, Viet Nam has ratified 25 international labour Conventions, including nine out of ten fundamental Conventions.³⁴ Regarding living and working conditions, Viet Nam has closely followed the relevant ILO Conventions and Protocols³⁵, such as:

- Chemicals Convention, 1990 (No. 170);
- Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187);
- Occupational Safety and Health Convention, 1981 (No. 155);
- Labour Inspection Convention, 1947 (No. 81);
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98); and
- part of the Occupational Health Services Convention, 1985 (No. 161).

The remaining fundamental Convention that Viet Nam has not yet ratified is the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87).

Environmental commitments and obligations under the European Union–Vietnam Free Trade Agreement (EVFTA)

The EVFTA, which has been in effect since August 2020, is the first agreement that Viet Nam has signed that binds the

nation to sustainable development, highlighting its aim to promote commerce while protecting the environment. The agreement allows Viet Nam to use cutting-edge European Union (EU) technologies and attract more projects, which will hasten the growth of the green economy, the digital economy, and renewable energy sources. Additionally, it assists Vietnamese goods in meeting the technical and environmental standards of the EU market. The EVFTA significantly impacts the EU's sustainable development initiatives in Viet Nam, positioning it as a key partner in the fight against climate change and the transition to a green economy.

EU Green Deal and the Cross-Border Carbon Tax Adjustment Mechanism (CBAM)

The EU Green Deal, signed in December 2019, includes a plan to implement a mechanism to regulate cross-border carbon taxes, which could affect trading partners, including Viet Nam. The Green Deal envisages a 55 per cent reduction in emissions by 2030 from 1990 levels through a gradual increase in carbon tax rates within the EU.

There are also plans to implement a Cross-Border Carbon Tax Adjustment Mechanism (CBAM) to bring emissions per unit of import output down to the EU industry average. Although the macro-level impact is small, the carbon tax can significantly impact some products when exported to the EU. Furthermore, as the scope of the CBAM is extended to other sectors and adopted by more and more countries, the total impact on Viet Nam's exports will become more significant. Unlike the EU carbon tax, which mainly affects fossil fuel demand and prices, the CBAM mechanism puts more pressure on energy-intensive goods, including chemical products.

Recommendations

Based on the existing regulatory and compliance gaps found in the EIA system and OSH requirements, the following recommendations are made to help the chemical and pharmaceutical industries in Viet Nam to drive further

³⁴ ILO, "Ratifications for Viet Nam", ILO NORMLEX database, accessed 16 June 2023.

³⁵ Please note that Viet Nam has not ratified Conventions Nos 170 and 161, nor has it ratified any international labour Protocols, but many regulations

concerning living and working conditions still closely follow the terms of these instruments.

environmental sustainability and OSH compliance activities.

For the EIA system

Raise awareness among business owners, workers and consumers about environmental sustainability. The Government, interdisciplinary associations, NGOs and professional agencies must implement more capacity training and support programmes.

Promote the dissemination of legal knowledge regarding environmental protection and OSH to enterprises, workers and communities living around factories. Especially given the recent changes to the EIA process brought about by the revised Law on Environmental Protection and its accompanying regulations.

Strengthen inspection and examination of chemical and pharmaceutical projects, especially in regard to monitoring post-EIA approval. This can be done by increasing the number of scheduled and unscheduled inspection trips. Moreover, it is necessary to increase the quantity and quality of inspectors.

Increase consultation with the communities surrounding the projects. Project owners must respond thoroughly to community feedback. In addition, community participation in environmental monitoring of chemical and pharmaceutical projects should be increased.

State management agencies should clearly define their responsibilities in monitoring enterprise activities that might impact the environment. Additionally, there must be effective cooperation between these agencies.

Gender equality criteria should be incorporated into the EIA report.

For the OSH requirements

Raise awareness of OSH among business owners, workers and consumers. The Government and other organizations must implement more capacity training and support programmes.

Enterprises, especially small- and medium-sized ones, need personnel specializing in OSH issues. They also need to increase both the quality and quantity of internal training regarding these issues.

The authorities must pay closer attention production activities in craft villages that involve the use of chemicals. It is necessary to further tighten and strengthen

environmental regulations and penalties. Criminal law should strictly punish acts of knowingly discharging waste that pollutes the environment.

Improve technical infrastructure and information on chemical management.

Appropriate mechanisms must be in place to encourage 100 per cent of enterprises to collect periodic and timely statistical data on occupational accidents, diseases and related information. In addition, information about national and enterprise-level OSH issues must be transparent and released regularly.

Following Article 8 of ILO Convention No. 161 on cooperating and participating in implementing organizational and other measures relating to occupational health services on an equitable basis, more reforms are required to ensure equal participation in occupational health services for workers without labour contracts and foreign workers.

Establish a network of knowledge-intensive business services to aid enterprises in chemical management and to aid regulatory agencies in inspecting and enforcing chemical management regulations.

Buyers are also important in promoting environmental sustainability in the sector. They can push suppliers/enterprises to choose more modern, environmentally friendly technologies and comply with OSH regulations.

Other recommendations

In addition to enforcement, it is necessary to have incentive mechanisms to encourage good practices in the industry regarding environmental sustainability and OSH compliance.

There should be regulations in place that make it illegal to implement obsolete technology in new projects. At the same time, it is necessary to have mechanisms to help enterprises reach green finance funding.

The roles of the Government are made manifest through incentives and regulations. Increasingly strong and strict rules – as well as support for enterprises applying good practices – will drive further environmental sustainability and OSH compliance activities.

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