

# FROM GLOBAL NORMS TO LOCAL PRACTICE: VIETNAM'S ADAPTATION TO THE GERMAN SUPPLY CHAIN LAW

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## Abstract

This study investigates how Vietnamese enterprises-key players in German-bound supply chains-understand, interpret, and implement the labor-related requirements of the LkSG. The study highlights important opportunities for Vietnamese firms, such as technological transfer, workforce upskilling, and institutional collaboration with German and EU stakeholders. The paper concludes by offering actionable policy recommendations for domestic reform and transnational cooperation and contributing to the wider literature on global norm translation in labor governance.

**Keywords:** Vietnam; Supply Chain Due Diligence; LkSG; Labor Rights; Norm Translation; Risk Management; International Cooperation; German Supply Chain Act.

## 1. INTRODUCTION

In recent years, global supply chains have come under increased scrutiny due to widespread concerns about human rights violations, environmental degradation, and weak labor protections in developing countries. In response, a wave of legislative initiatives - most notably the German Supply Chain Due Diligence Act (LkSG) - has been enacted to hold multinational corporations accountable for ensuring responsible practices throughout their value chains. Adopted in July 2021 and enforced from January 2023, the LkSG requires German companies to identify, prevent, and remedy human rights and environmental risks, not only within their own operations but also across their global suppliers [1].

This legal development raises a crucial question: how do Vietnamese enterprises interpret and operationalize the labor requirements of the LkSG within their local contexts? While German companies are legally obliged to perform due diligence, the burden of implementation is often transferred downstream to Vietnamese suppliers, many of whom lack the institutional capacity, legal expertise, or resources to fully comply. Moreover, existing research has pointed to a persistent gap between global labor norms and their practical implementation in emerging economies, especially when such standards are externally imposed [2]. In this article, we explore the process of translating global labor standards into local practice by analyzing how Vietnamese enterprises respond to the LkSG. We examine the perceptions, readiness, and adaptation strategies of firms involved in German supply chains. Our study contributes to the literature on transnational labor governance by focusing on the micro-level mechanisms of standard internalization and by identifying the contextual factors that either facilitate or hinder compliance in Vietnam. In doing so, we aim to offer practical insights for motivating, buyers, and suppliers seeking to bridge the gap between international obligations and local realities.

## 2. LITERATURE REVIEW

The globalization of supply chains has spurred the diffusion of international labor standards, prompting states, corporations, and civil societies to develop mechanisms for transnational labor governance. Within this context, the German Supply Chain Due Diligence Act (LkSG) represents a legal innovation, shifting from voluntary codes of conduct to binding corporate obligations. This movement echoes broader trends in the governance of global value chains (GVCs), where private regulation is increasingly supplemented by state-led interventions [3]. [2] However, the effectiveness of such regulatory shifts depends heavily on the ability of supplier countries to translate global standards into local institutional frameworks and workplace practices.

The concept of “translation” is central in the literature on global norm internalization. Scholars argue that norms are not simply adopted but are negotiated, reinterpreted, and sometimes resisted as they travel across [4] borders. [5] This is particularly relevant in labor governance, where Western-originated standards - often embedded in instruments such as the ILO Core Conventions or OECD Guidelines - interact with domestic legal systems, cultural norms, and organizational capacities. Studies in the field of labor compliance highlight that local embeddedness, including industrial relations traditions, union structures, and firm-level HR practices, critically shapes how standards are adopted or reworked [6].

In the Vietnamese context, the state has made significant legal reforms, especially with the 2019 Labor Code, to align with ILO conventions and trade commitments such as the EU-Vietnam Free Trade Agreement (EVFTA). Nevertheless, compliance tends to be fragmented and uneven, particularly among small and medium-sized enterprises (SMEs), which dominate Vietnam's manufacturing sector [7]. According to recent fieldwork, Vietnamese enterprises often confuse international labor standards with existing certifications such as ISO, BRC, or BSCI, and lack systematic risk management structures, written policies, or grievance mechanisms required under LkSG [7]. This illustrates a gap between formal compliance and substantive implementation, also observed in studies on Bangladesh and China [8], [9].

While the LkSG introduces clearer accountability lines, scholars caution against assuming automatic compliance by suppliers. The implementation process is mediated by multiple actors, including auditors, consultants, trade unions, buyers, and public agencies [10]. These intermediaries can act as enablers or barriers in the localization of labor norms, depending on how incentives, knowledge, and power are distributed across the chain.

This article engages with these scholarly debates by investigating how Vietnamese firms experience and respond to LkSG requirements in practice. It focuses on the micro-dynamics of policy translation, highlighting both structural limitations (eg, lack of risk management) and enabling practices (eg, embedded trade unions, external audits). In doing so, it contributes to the theoretical discussion on “glocalization” of labor standards, while offering empirical insights from a key supplier country to the German and EU markets.

### 3. METHODOLOGY

This study adopts a qualitative case study approach to examine how Vietnamese enterprises in German supply chains interpret and apply labor-related requirements under the German Supply Chain Due Diligence Act (LkSG). Given the novelty of the legislation and the complexity of transnational norm translation, a qualitative design is well-suited to explore the micro-level mechanisms and contextual factors that influence local responses [11].

The study is not without limitations. First, the sample size is modest and may not fully capture the diversity of Vietnam's export-oriented SMEs. Second, the reliance on self-reported practices may introduce bias or selective disclosure. Nevertheless, the triangulation of interviews, surveys, and document reviews strengthens the reliability of findings and offers rich empirical insight into an under-researched context.

This article builds upon the author's previous research published in the *Edelweiss Applied Science and Technology Journal* (2025) and the *Social Science and Humanities Journal* (2022), with updated analysis and extended empirical findings.

### 4. FINDINGS

#### *4.1. The Status of Risk Management Systems and Grievance Mechanisms*

One of the core requirements of the German Supply Chain Due Diligence Act (LkSG) is the establishment and maintenance of an effective risk management system that enables companies to identify, prevent, mitigate, and remediate human rights and environmental risks throughout their supply chains. In addition, the LkSG mandates the implementation of a grievance mechanism that allows affected individuals or entities with knowledge of potential violations to report risks or misconduct within the supply chain.

Despite the legal systems clarity of these provisions, existing studies and field observations indicate that many Vietnamese enterprises have yet to develop specific policies and procedures to meet these requirements. [7]The absence of such is not solely attributed to internal resource limitations - although persistent financial and human capacity constraints remain challenges for small and medium-sized enterprises (SMEs) in Vietnam. Implementing a fully functional risk management and grievance mechanism requires significant investment in time, funding, and technical expertise - resources that are often beyond the reach of typical Vietnamese SMEs.

Moreover, another critical factor contributing to the current gap is the lack of practical guidance and technical support from German clients and domestic regulatory authorities. Many Vietnamese firms report difficulties in understanding how to operationalize these systems in a manner that is contextually appropriate to their industrial sector and organizational scale. The absence of localized implementation frameworks exacerbates the disconnect between legislative obligations and practical application [12].

The failure to implement effective risk management systems and grievance mechanisms has direct and far-reaching implications for LkSG compliance. Without a structured approach to identifying and addressing risks, companies are unable to proactively engage with potential

human rights or environmental violations in their operations or those of their suppliers. This increases the likelihood of adverse impacts and significantly undermines the company's ability to demonstrate compliance with due diligence obligations under LkSG. Likewise, the absence of a functioning grievance mechanism deprives stakeholders - especially workers and local communities - of a vital channel for raising concerns and seeking redress. It also erodes trust, accountability, and transparency within the supply chain.

Therefore, supporting Vietnamese enterprises in developing and strengthening their risk management systems and grievance mechanisms must be prioritized as a key strategy for improving compliance with LkSG. Such support is essential not only for fulfilling legal obligations but also for promoting a more responsible, transparent, and sustainable supply chain ecosystem.

#### ***4.2. The Role of Trade Unions and Collective Bargaining***

The right to freedom of association and collective bargaining constitutes a cornerstone of international labor standards and is central to the effective protection of workers' rights. These rights are not only enshrined in the core conventions of the International Labor Organization (ILO), particularly Conventions No. 87 and No. 98, but are also implicitly referenced in the German Supply Chain Due Diligence Act (LkSG), which requires companies to uphold human rights and labor protections throughout their supply chains [13]

In practice, however, many Vietnamese enterprises have yet to fully implement provisions that enable workers to organize and engage in collective bargaining.

This institutional gap significantly undermines workers' ability to express grievances and advocate for their interests - thereby posing serious challenges to compliance with LkSG labor-related requirements. Vietnam's trade union system is currently centralized under the Vietnam General Confederation of Labor (VGCL), a state-affiliated institution. While the VGCL has played a vital role in safeguarding labor rights, its monopolistic structure and close alignment with government institutions often constrains its autonomy and effectiveness at the enterprise level, especially in foreign-invested enterprises. The absence of independent unions limits workers' options for meaningful representation, a critical component of ILO-compliant freedom of association [14].

Notably, the passage of the revised Trade Union Law in 2024 marks a potentially transformative development. The law now allows foreign workers to employ under labor contracts of 12 months or more to join workplace unions - an important step toward greater inclusion and protection of expatriate labor. Furthermore, the new law introduces stronger safeguards against anti-union discrimination and expands the supervisory role of unions in labor rights enforcement. These reforms may facilitate Vietnam's alignment with international labor norms and improve corporate compliance with the LkSG, especially in sectors with a high concentration of foreign workers.

Still, the realization of these reforms depends heavily on their implementation in practice. Creating an enabling environment for genuine freedom of association and collective bargaining

will require sustained efforts from all stakeholders, including government authorities, employers, labor organizations. Full realization of these rights is not only essential for enhancing worker protections but also for ensuring that Vietnamese enterprises meet their obligations under the LkSG, thereby contributing to more equitable, transparent, and resilient supply chain relationships.

#### ***4.3. Support from intermediary organizations and international partners***

Some Vietnamese enterprises have received support from intermediary organizations such as chambers of commerce, NGOs and international partners in improving their capacity and understanding of LkSG. This support includes training, consultancy and provision of updated information on new legal requirements. However, the scope and effectiveness of these support programs are still limited and need to be further expanded and strengthened.

Despite the challenges in understanding and implementing the German Supply Chain Law (LkSG), some Vietnamese enterprises have received important support from intermediary organizations and international partners. This support includes in-depth training programs on the requirements of the LkSG, helping enterprises better understand the obligations and how to implement them.

Organizations such as the Vietnam Chamber of Commerce and Industry (VCCI), industry associations, and non-governmental organizations (NGOs), have played an active role in providing information, advice, and connecting businesses with necessary resources. In addition, international partners, including development organizations, embassies, and German companies operating in Vietnam have also implemented a number of support initiatives.

These programmes often focus on building business capacity in areas such as risk assessment, setting up complaints mechanisms and implementing remedial measures. For example, AHK Vietnam has organised workshops and provided consultancy services to help Vietnamese businesses understand and comply with LkSG. Better Work Vietnam [15], a joint program between the International Labour Organization (ILO) and the International Finance Corporation (IFC), has also made significant efforts to improve working conditions and promote compliance with labor standards in factories in Vietnam.

However, the scope and effectiveness of these support programs are still limited compared to the actual needs of the business community, especially small and medium enterprises (SMEs). Many businesses still have difficulty accessing information and support programs that are suitable for their characteristics.

To increase the effectiveness of this support, there needs to be closer coordination between intermediary organizations, the Vietnamese government and international partners in designing and implementing more comprehensive and accessible support programs. At the same time, there needs to be mechanisms to monitor and evaluate the effectiveness of these programs to ensure that they truly bring practical benefits to businesses in complying with LkSG.

**Table 1: Key Support Organizations and Initiatives for Vietnamese Enterprises on LkSG Compliance**

Organization/Initiative	Support Type	Target audience	Key Features/Areas of Focus
VCCI	Providing information, legal advice, organizing seminars	Vietnamese enterprises in general, especially SMEs	LkSG requirements, risk management, complaints mechanism, international standards
AHK Vietnam	Organize seminars, provide in-depth consulting, and support supplier management	Vietnamese enterprises in the supply chain with Germany	LkSG requirements, risk analysis, compliance system development, complaint management
Better Work Vietnam (ILO-IFC)	Compliance assessments, consulting services, training, industry seminars	Garment and footwear factories	Labor standards, working conditions, occupational health and safety, social dialogue
Industry Associations	Provide information, organize experience sharing	Businesses in specific industries	LkSG requirements related to industry specifics, appropriate compliance measures
Non-Governmental Organizations (NGOs)	Awareness raising, technical support, consulting	Businesses, especially SMEs and social organizations	Human rights, environmental issues in supply chains, grievance mechanisms
International Development Organizations (e.g. UNDP, USAID)	Technical assistance program, capacity building, cooperation projects	Businesses, government agencies, social organizations	Risk assessment, grievance mechanism establishment, remedial measures, sustainable development
German Embassies and Government Agencies	Informational seminars, connect with experts	Vietnamese enterprises have trade relations with Germany	LkSG's legal requirements, resources and support from Germany

## 5. DISCUSSION

### 5.1. Challenges in complying with LkSG in Vietnam

#### *Limitations in the legal and institutional framework*

Although Vietnam has made progress in improving its labor law system, there are still gaps and limitations in meeting the requirements of the LkSG. The current legal system is incomplete and lacks specificity in regulating the responsibility for supply chain due diligence, especially for small and medium enterprises. This makes it difficult for enterprises to understand and fulfill their obligations under the LkSG.

Furthermore, the monitoring and law enforcement mechanisms are weak and there is a lack of effective coordination between authorities. This leads to failure to promptly detect and handle violations related to labor rights and the environment in the supply chain.



### *Lack of business capacity and resources*

Many Vietnamese enterprises, especially small and medium enterprises, lack the resources and capacity to implement the complex requirements of LkSG. Establishing a risk management system, complaint mechanism and periodic reporting requires significant investment in finance, human resources and technology, which many enterprises currently cannot meet.

In addition, the lack of knowledge and skills in applying international standards on labor rights and the environment is also a major barrier. Many businesses have not received training or access to specific guidelines on how to conduct supply chain due diligence according to LkSG.

### *Restrictions on the participation of workers and representative organizations*

Freedom of association and collective bargaining are among the core requirements of the LkSG. However, the implementation of these rights in Vietnam is still limited. Many enterprises have not created conditions for workers to participate in representative organizations or collective bargaining, leading to workers not having an effective channel to reflect and protect their rights.

Furthermore, the lack of transparency and openness in processes related to labor rights also reduces the effectiveness of implementing LkSG. This requires improvements in the development and implementation of policies related to labor rights in enterprises.

### *Lack of support and guidance from international partners*

The lack of specific support and guidance from international partners, especially German enterprises, is also a challenge for Vietnamese enterprises in complying with LkSG. Many enterprises have not received full information on the necessary requirements and standards, as well as how to effectively conduct supply chain due diligence.

The lack of coordination and information sharing among stakeholders in the supply chain reduces the ability of Vietnamese enterprises to meet the requirements of LkSG. This requires closer cooperation between international partners and Vietnamese enterprises to improve the capacity and understanding of LkSG.

## **5.2. The role of unions and collective bargaining**

### *Trade Union – Bridge to protect workers' rights*

Trade unions in Vietnam play a key role in representing and protecting the legitimate rights and interests of workers, especially through collective bargaining. According to Article 4 of Decree 43/2013/ND-CP, trade unions have the right to collect information, compile recommendations, propose contents related to the interests of workers and request employers to bargain collectively. Trade unions are also responsible for disseminating and supervising the implementation of collective labor agreements in enterprises [15].

It should be emphasized that the trade union is an organization representing the collective of workers, with the right and responsibility to protect their legitimate rights and interests. The employer has the responsibility to facilitate the activities of the trade union, coordinate and

consult the trade union when making decisions related to the rights and interests of workers, such as building a salary scale, handling labor discipline, etc.

#### *Collective Bargaining – An Essential Tool in Sustainable Supply Chains*

Collective bargaining is one of the core requirements of LkSG, aiming to ensure the freedom of association and negotiation of workers. The content of collective labor agreements often revolves around issues such as wages, bonuses, overtime allowances, workers' meals, taking care of workers on holidays, Tet (lunar new year), and especially difficult cases [16].

However, the implementation of collective bargaining in Vietnam still faces many challenges. Many enterprises have not fully implemented the regulations on this right, leading to the lack of channels for workers to reflect and protect their rights. This poses a great challenge in complying with the requirements of the LkSG related to labor rights.

#### *Strengthening the capacity and independence of trade unions*

To meet the requirements of LkSG, it is necessary to improve the capacity and independence of trade unions. According to Industry and Trade Magazine (2025), trade unions need to be trained in law, negotiation skills and collective bargaining. In addition, the law needs to clearly stipulate the rights and responsibilities of trade unions, as well as prohibit employers from interfering in trade union activities [17]. In addition, it is also proposed that there should be support from international organizations and trade partners in improving the capacity of trade unions, in order to ensure the rights of workers in the global supply chain.

### **5.3. Opportunities from international cooperation and technology transfer**

#### *Technology transfer – Leverage to improve supply chain capacity*

Vietnam has issued the Law on Technology Transfer No. 07/2017/QH14 to create a legal framework for the reception and transfer of technology from abroad, especially clean technology, high technology and environmentally friendly technology. This law clearly stipulates the rights and obligations of organizations and individuals participating in technology transfer activities, technology appraisal in investment projects, technology transfer contracts, and measures to promote technology transfer, develop the science and technology market, as well as state management of technology transfer [18]. Receiving advanced technology from international partners helps Vietnamese enterprises improve their production capacity, meet labor and environmental standards in the global supply chain. In particular, new technologies can support enterprises in monitoring and controlling risks related to human rights and the environment, in accordance with the requirements of LkSG.

#### *International cooperation – Opportunities for training and human resource development*

International cooperation not only brings new technology but also creates opportunities for training and developing high-quality human resources. Cooperation programs between Vietnam and developed countries, such as Germany, Japan, and South Korea, have contributed to improving the skills and knowledge of Vietnamese workers, especially in areas such as production, quality management, and environmental protection.



It is important to emphasize that training and capacity building for workers is a key factor for Vietnamese enterprises to meet the strict requirements of LkSG. Through training programs, workers are equipped with knowledge about labor rights, labor safety and international environmental standards, thereby contributing to building a sustainable supply chain.

#### *Promoting innovation and sustainable development*

International cooperation and technology transfer also promote innovation in Vietnamese enterprises. Access to advanced technologies and modern management practices helps enterprises improve production processes, improve product quality and minimize negative impacts on the environment. Innovation is an important factor for Vietnamese enterprises not only to comply with LkSG but also to improve their competitiveness in the international market. Applying new technological solutions helps enterprises optimize operations, reduce costs and increase production efficiency, while ensuring compliance with labor and environmental standards.

## **6. CONCLUSION**

The introduction and implementation of the German Supply Chain Due Diligence Obligation Act (LkSG) not only marks an important shift in the global legal trend, but also poses a huge challenge for exporting enterprises in developing countries, such as Vietnam. This study has clarified the current situation, awareness, and ways in which Vietnamese enterprises approach, interpret, and apply labor and human rights requirements under the LkSG. However, the study also points to many opportunities from international cooperation, technology transfer, and training initiatives – which, if designed and implemented strategically, can help Vietnamese businesses not only “comply” but also “co-create” standards in the global supply chain.

Finally, the study contributes to the literature on “global norm translation” through a case study in Southeast Asian supply chains. Further quantitative and regional comparative studies are needed in the future to strengthen the theoretical framework and provide more effective implementation models.

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