

## The EU-Vietnam Free Trade Agreement: Reflecting on the Issue of Child Labour

February 2019

Ngoc Diep Tran<sup>1</sup>

Child labour is no new phenomenon throughout the developing world, and as globalisation increasingly links together global markets and supply chains, this issue has witnessed sharp changes. This paper takes Vietnam as a typical case where, despite a considerable decline in recent years, child labour constitutes an ordinary reality. It is concluded that child labour is not only a matter of national social affairs, but also a question of human rights, and resultantly should be considered throughout the ratification of the Free Trade Agreement between the EU and Vietnam.

*EU-Asia at a Glance is a publication series about the current state of affairs in Asia and EU-Asia relations*

*This paper expresses the view of the authors and not the European Institute for Asian Studies*

---

<sup>1</sup> Ngoc Diep Tran is a Junior Researcher at the European Institute for Asian Studies (EIAS).

## Literature review

Child labour constitutes a dire reality in many countries, with developing nations observed to suffer disproportionately<sup>2</sup>. According to Edmonds and Pavcnik, in 2000 it was estimated that Asian and African children aged between 5 and 14 working for family businesses accounted for 20.8 per cent and around 65 per cent of unpaid domestic work respectively. Nonetheless these percentages have experienced a sharp reduction over the past decade, with positive changes taking place especially in the Asia and Pacific region. According to “the 2017 Global Estimates of Modern Slavery and Child Labour (Regional brief for Asia and the Pacific)<sup>3</sup>”, the rate of illegal working children of the same age group has fallen to less than ten per cent, with cases mostly observed in agricultural sector (58 per cent). This dramatic reduction in incidences of child labour has seen Asia be replaced by Africa as the region with the greatest number of child labourers. The issue, however, still endures.

In their papers concerning the situation of child labour in low and middle income economies, Edmonds<sup>4</sup> and Putnik and Bornstein<sup>5</sup> argued that the issue is mostly associated with the economic conditions of the family. They also suggested that not having enough money to cover educational fees such as tuitions, uniform, and stationery is not the only thing pushing children from poor families into the workforce. In 2015, Putnik and Bornstein indicated that poor-quality schools and insufficient teaching staff have also acted to discourage many families from sending their children to schools, a claim also supported by Edmonds and Pavcnik and Le and Homel<sup>6</sup>. This being the case, the betterment of educational systems and the granting of financial support to poor households have been considered more efficacious than conventional punitive measures.

## Overview of child labour issue in Vietnam

Located in the real middle of the Asia Pacific, Vietnam is well-known for its rich culture and history. Recently, the country has been praised by the World Bank in light of its speedy pace of development in the fields of economics and poverty alleviation. The socialist-oriented and market-led economy, the principles of which have been applied

---

<sup>2</sup> Edmonds, E.V. and Pavcnik, N. (2005). *Child Labor in the Global Economy*, Journal of Economic Perspectives, 19(1), pp. 199–220.

<sup>3</sup> Alliance 8.7 (2017). *Regional brief for Asia and the Pacific: 2017 GLOBAL ESTIMATES OF MODERN SLAVERY AND CHILD LABOUR*, pp. 1-12.

<sup>4</sup> Edmonds, E.V. (2016). *Economic Growth and Child Labor in Low Income Economies*, GLM | LIC Working Paper, (11), pp. 1-30.

<sup>5</sup> Putnick, D. L. and Bornstein, M. H. (2015). *Is child labor a barrier to school enrollment in low- and middle-income countries?*, International Journal of Educational Development, 41, pp. 112-120.

<sup>6</sup> Le, H. T., and Homel, R., (2014). *The Impact of Child Labor on Children’s Educational Performance: Evidence from Rural Vietnam*, Journal of Asian Economics, pp. 1-32.

since the 1980s, has brought about significant accomplishments that helped the country graduate to the lower-middle income status in 2010. With Vietnam's average annual GDP growth rate exceeding six per cent since 2009, in 2017 its GDP exceeded 220 billion USD. According to the World Bank Poverty Assessment Report in 2012<sup>7</sup>, more than 30 million Vietnamese people have been raised out of poverty in the past two decades. However, there is still a long way to go before Vietnam ascends to the rank of the upper-middle income economies. This is due in large part to the backlog of several economic and social issues existing domestically. Alongside problems relating to the development of businesses and trade affairs, issues have also been raised concerning the country's human rights, including the problem of child labour.

Despite the fact that Vietnam's economic transition has brought about significant economic and social transformations, the country's economy still remains largely agrarian, with around 65 per cent of the population relying on farm work and rice production to make ends meet during the early 2000s. Even though this rate has witnessed a significant drop over the past decade, in 2012 approximately 80 per cent of all Vietnamese child labourers were found working in rural areas, as stated by the Voice of Vietnam<sup>8</sup>. As is common in most developing countries, child labour in Vietnam has been reported to take place predominantly within the agricultural sector (including working on the fields, forestry and fishing) and household entrepreneurship<sup>9</sup>. The latest national survey on child labour in 2012<sup>10</sup> claimed that there were an estimated 1.75 million unpaid children labouring nationwide. According to a recent article in Vietnamese media, this figure remains largely unchanged in 2018<sup>11</sup>. The majority of these children were found to be participating in agricultural production (more than 60% per cent) and working within private family businesses; other observed cases have been found in construction sites, factories and on the streets. In 2018, one-third (34%) of children engaging in informal economic activities were estimated to work for more than 42 hours

---

<sup>7</sup> World Bank. (2012). *Well Begun, Not Yet Done: Vietnam's Remarkable Progress on Poverty Reduction and the Emerging Challenges, 2012 Vietnam Poverty Assessment*, (74910), pp. 9-126.

<sup>8</sup> Voice of Vietnam. 14 June 2016. *Lao động trẻ em nằm ngoài tầm kiểm soát*. Retrieved from <https://vov.vn/xa-hoi/lao-dong-tre-em-nam-ngoai-tam-kiem-soat-520550.vov>.

<sup>9</sup> Edmonds, E.V. and Turk, C. (2002). Child Labor in Transition in Vietnam, *Policy Research Working Paper*, (2774), pp. 1-63.

Rosati, F. C. and Tzannatos, Z. (2006). CHILD LABOUR IN VIETNAM, *Pacific Economic Review*, 11(1), pp. 1-31.

Beegle, K., Dehejia, R. and Gatti, R. (2009). Why Should We Care About Child Labor? The Education, Labor Market, and Health Consequences of Child Labor, *The Journal of Human Resources*, 44(4), pp. 871-889.

Le, H. T., and Homel, R., (2014). The Impact of Child Labor on Children's Educational Performance: Evidence from Rural Vietnam, *Journal of Asian Economics*, pp. 1-32.

<sup>10</sup> International Labour Organization; ILO International Programme on the Elimination of Child Labour; Ministry of Labour, Invalids and Social Affairs (MOLISA) and General Statistics Office (GSO) of Viet Nam. (2014). *Viet Nam National Child Labour Survey 2012 - Main Findings*, Ha Noi: ILO.

<sup>11</sup> Voice of Vietnam. 21 March 2018. *Việt Nam hiện có 1,75 triệu lao động trẻ em*. Retrieved from <https://vov.vn/xa-hoi/viet-nam-hien-co-175-trieu-lao-dong-tre-em-742230.vov>.

per week. The most common age for children to become child labourers is twelve, but cases of children working under this age are common.

It is occasionally argued that working at an early age is not exclusively harmful for children or poor communities<sup>12</sup>. The contributions added to the family income can be invaluable to the most impoverished communities, and the skills developed whilst working may be more immediately relevant than those acquired in the classroom. In reality however, the benefits gained from labouring are often outweighed by the disadvantages.

Working from an early age can cause both short and long term impacts on children's physical and mental development. Working on farms and other industrial sectors exposes children to toxic substances as well as making them susceptible to illness and injuries due to their workload being equal to that assigned to adults. Psychosomatic troubles including stress and mental disorders caused by working during childhood may seriously affect individuals into adulthood.

Poverty is a major motive pushing families to place their children into the labour market, as their economic activities could bear part of the financial burden generated by poverty. Therefore, the risk of children being sent to work is unsurprisingly higher amongst impoverished families. Indeed, "child labour is a symptom of poverty"<sup>13</sup>. Further to this, a vicious circle is created given how child labour also acts as a factor leading to poverty. Dramatic negative correlation has been proven between the rate of child labour and the economic conditions of Vietnamese families, with the decline in child labour over the past twenty years coinciding with an increase in household incomes<sup>14</sup>.

Under the Đổi Mới policy (Renovation Policy), Vietnam has been transformed from a centralized economy under full control by the government to a market-led, state managed economy<sup>15</sup>. This period of socio-economic overhaul, which started in late 1986, lifted millions of Vietnamese citizens out of destitution, largely thanks to the carefully managed liberalising of the previously closed economy. This process could explain the improvement in the national living standards and the subsequent reduction in the rate of child labour. Nonetheless, it can be clearly noticed that after the implementation of the Đổi Mới, and later following the accession into the status of lower-middle income

---

<sup>12</sup> Harrison D (2005), *It's Official, Child Labour is a Good Thing*, The Telegraph, 30 January 2005

<sup>13</sup> Edmonds, E.V. (2005). Does Child Labor Decline with Improving Economic Status?, *The Journal of Human Resources*, XL(1), pp. 77-99.

<sup>14</sup> Edmonds, E.V. and Turk, C. (2002). *Child Labor in Transition in Vietnam, Policy Research Working Paper*, (2774), pp. 1-63; Edmonds, E.V. (2005). Does Child Labor Decline with Improving Economic Status?, *The Journal of Human Resources*, XL(1), pp. 77-99; Edmonds, E.V. (2016). *Economic Growth and Child Labor in Low Income Economies, GLM | LIC Working Paper*, (11), pp. 1-30; Edmonds, E.V. and Pavcnik, N. (2005). Child Labor in the Global Economy, *Journal of Economic Perspectives*, 19(1), pp. 199-220.

<sup>15</sup> Article 15 of the Constitution of Vietnam in 1992

economy, child labour has persistently remained one of the most pressing human rights issues in Vietnam.

### **The EU-Vietnam Free Trade Agreement (FTA)**

In the age of escalating globalization in which the demand for goods produced by means of child labour has risen<sup>16</sup>, trade sanctions may be considered as an instrument to ease the frequency of these incidences. This solution, however, has been refuted by many economists, who argue that this process will simply lead to lower wages for adults, consequently pushing more children into the labour force. Conditional cash transfer programs aimed at sending more children to school represent an alternative idea, however at the time of writing, there is no evidence of a such a program being successful in Vietnam.

The EU-Vietnam FTA is perceived to have breathed new life into the trade outlook of both parties. After long negotiations, a draft was eventually adopted in 2018 and is awaiting approval from the European Parliament. The completed FTA negotiations represent a further step in the development of the bilateral EU-Vietnam relations, and a bright future for businesses and investors. Currently Vietnam is the second largest trading partner of the EU within ASEAN, with its major exports including textiles, foodstuffs and electronic components. The FTA would allow for the elimination of over 99% tariffs on goods traded between the two partners<sup>17</sup>. Improving its position on the international stage has now become a key objective of the Vietnamese government, with the country making several commitments to various international principles and conventions. The commitment to this FTA with the EU is indicative of Vietnam's ambitions.

The adoption of this FTA, in addition to the one previously signed between the EU and Singapore, serves as a stepping stone to further cooperation between the EU and ASEAN. As well as bolstering the bilateral trade relationship, the FTA goes hand in hand with the "EU-Vietnam Partnership and Cooperation Agreement", entered into force in 2016. It is hoped that the two documents would serve as the foundation for the commitment from both sides to the principles of sustainable development, human rights, and labour rights. Despite the fact that the FTA may generate more earning opportunities for children<sup>18</sup>, a number of scholars pointed out that its aim of lifting more than 99 per cent of trade

---

<sup>16</sup> Edmonds, E.V. and Pavcnik, N. (2002). *DOES GLOBALIZATION INCREASE CHILD LABOR? EVIDENCE FROM VIETNAM*, NBER Working Paper Series, (8760), pp. 1-51.

<sup>17</sup> European Commission. 17 October 2018. EU-Vietnam Trade Agreement – Memo. Retrieved from <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1922>

<sup>18</sup> Edmonds, E.V. and Pavcnik, N. (2002). *DOES GLOBALIZATION INCREASE CHILD LABOR? EVIDENCE FROM VIETNAM*, NBER Working Paper Series, (8760), pp. 1-51.

barriers for both actors would contribute to the alleviation of poverty in Vietnam; thereby creating more incentives for households to send their children to schools instead of factories. In addition to this, the reduction in tuition fees, investment in the quality of schools, and the improvement of access to education has contributed to a wave of optimism amongst Vietnamese society.

Within the framework of the 2016 "European Parliament resolution on implementation of the 2010 recommendations on social and environmental standards, human rights and corporate responsibility", the EU is committed to using its commercial relationship with third parties as an instrument to promote human rights and societal values<sup>19</sup>. On that account, child and forced labour should not be overlooked. In this critical moment in the process of the EU-Vietnam FTA, hopefully this issue, inter alia, will be taken into more consideration so as to fulfil the commitments of the EU to maintain the principles of human rights in the developing world.

---

<sup>19</sup> European Parliament. 5 July 2016. *European Parliament resolution of 5 July 2016 on implementation of the 2010 recommendations of Parliament on social and environmental standards, human rights and corporate responsibility*. Retrieved from <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2016-0298+0+DOC+XML+V0//EN>.

European Institute for Asian Studies – EIAS a.s.b.l.  
26 Rue de la Loi, 10<sup>th</sup> Floor, 1040 Brussels/Belgium  
Tel.: +32 2 230 81 22 E-mail: [eias@eias.org](mailto:eias@eias.org) Website: [www.eias.org](http://www.eias.org)

 EiasBrussels

 European Institute for Asian Studies

 @EIASBrussels