

Does ISO14001 raise firms' awareness of environmental protection?—Case from Vietnam

Abstract

Environmental protection is an inevitable issue that developing countries all have to deal with during the process of inviting foreign direct investment (FDI). However, high correlation between FDI and pollution doesn't necessarily indicate that foreign firms are to blame. In this paper, we apply firm-level panel data in Vietnam and unique information on waste discharge to show that foreign firms are actually more active to acquire ISO14001, a voluntary environmental standard. And the adoption will in turn improve firms' performance in waste control. It also increases firms' welfare as well as their productivity level. A theoretical dynamic game model lends support to our empirical findings. This paper provides strong evidence that firms' efforts towards corporate social responsibility will eventually benefit themselves as well.

JEL classification: D22, F21, F64, Q56

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