

TRADE SMARTER - WORKING PAPER ONE

VIET NAM NOW: STRENGTHENING BILATERAL ENGAGEMENT

Australian Trade Minister and business leaders outline ways
to improve engagement with Viet Nam

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DATE:

June 2021



VIET NAM NOW: STRENGTHENING BILATERAL ENGAGEMENT

CONVENORS:

Stuart Fuller
Chairman, Asia
Society Australia

The Hon Dan Tehan MP
Minister for Trade
Tourism and
Investment

Australia and Viet Nam are natural economic partners. Viet Nam is a dynamic and rapidly-growing market, and one of Australia's fastest growing trading partnerships. Senior Australian leaders discussed key considerations for Australian businesses exploring opportunities in Viet Nam.

HOST:

RMIT University

KEY TAKEAWAYS >

1. **Relationships first:** Long-term planning and strong relationships are key
2. **Focus on competitive advantage:** In a highly competitive and dynamic market such as Viet Nam, Australia must play to its strengths
3. **Awareness of tools to overcome obstacles:** Consideration of the issues and the ways to address them

This paper draws on the discussions at the first national Australian CEO Roundtable on Viet Nam held online on 4 June 2021 with The Hon Dan Tehan MP, Minister for Trade, Tourism and Investment and senior leaders representing Australian business, academia and civil society. Jointly convened by Asia Society Australia, RMIT and the Australian APEC Study Centre, the speakers identified three key considerations for any Australia business exploring opportunities in Viet Nam.



A NEW ECONOMIC RELATIONSHIP >

In the 2019-2020 period, Viet Nam ranked 14th amongst Australia's two-way trading partners behind Indonesia and Taiwan with trade valued at \$15.236 billion or just 1.7% of Australia's total trade. The five-year annual growth rate in trade is 9.2% which ranks Viet Nam behind China and India. Australia also ranks about 14th amongst Viet Nam's trading partners alongside Austria, Malaysia and Cambodia and accounts for a similarly small proportion of Viet Nam's trade at 1.6%.

In 2019 the Australian Bureau of Statistics (ABS) recorded \$2.918 billion in cumulative Australian investment in Viet Nam and \$2.633 billion in direct investment where an Australian parent owned more than 10% of the equity. The Viet Nam Ministry of Foreign Investment and Foreign Investment Agency reported on a different basis in 2020 that there were 500 Australian financed projects in Viet Nam with capital of more than US\$2 billion. In 2019 the ABS reported the stock of Vietnamese investment in Australia was \$793 million.

In 2019, the Prime Ministers of Australia and Viet Nam set a new target for enhanced economic cooperation: to double bilateral investment and become one of each other's top ten trading partners.

This new cooperation was formalised by Prime Ministers Scott Morrison and Pham Minh Chinh on 1 November 2021 with the [Australia-Viet Nam Enhanced Economic Engagement Strategy](#) released on 21 December 2021.

ACHIEVING THE TARGETS >

In early 2020 Asia Society Australia, in collaboration with the Australian APEC Study Centre at RMIT University and the Victorian Government, published [A Path to Viet Nam: Opportunities and Market Insights for Australian Business](#) which examines opportunities for Australian business.

From June to December 2021, Asia Society Australia collaborated with the Australian Department of Foreign Affairs and Trade (DFAT) to conduct three roundtables to support the new Enhanced Economic Engagement Strategy. They covered key issues for Australian businesses in Viet Nam, and the outlook for Australian education providers. DFAT also supported the publication of a follow up report to *A Path to Viet Nam* which focusses on opportunities for Vietnamese businesses in Australia, *A Path to Australia: Opportunities and Market Insights for Vietnamese Business*.

The NSW Government and Asia Society Australia also undertook a separate initiative on Viet Nam, which contributes to the achievements of the national target for increased economic cooperation between the two countries.

Please read **Working Paper Two – The Way Ahead for Australian Business - NSW Case Studies** in this series for those findings

KEY CONSIDERATIONS FOR AUSTRALIAN BUSINESS >

Participants recognised that Viet Nam is a unique, fast-growing, market-oriented, trading economy that is rapidly adopting Industry 4.0 technologies. The country has undergone successive decades of market reforms and is now positioned as an export hub for the region. It has garnered international attention recently as a reliable trade diversification partner for North American and European multinationals. Australian businesses have an opportunity to make Viet Nam part of their global strategy. The discussion at the Roundtable highlighted three major themes for Australian businesses to consider as they explore opportunities with Viet Nam:

1. Relationships first

Business success in Viet Nam requires long-term planning and strong relationships. It is important to spend time on the ground, forge relationships with local stakeholders and build teams with local expertise. Viet Nam has a strong relationship-based culture and so it is well worth the investment to establish personal connections, build trust and deepen cultural understanding.

Australian businesses have access to an underutilised reservoir of trust through Vietnamese students, alumni, expatriates, young leaders and diaspora. These networks can and should be tapped for invaluable insights and connections into Viet Nam.

/ Viet Nam is a dynamic market where competition can be fierce. /

2. Focus on competitive advantage

Viet Nam is a dynamic market where competition can be fierce. Australian businesses should focus on their competitive advantages in responding to Vietnamese needs. Australian businesses should also explore emerging opportunities in AgTech, FinTech and E-commerce.

Australian Research and Development (R&D) and know-how is well regarded and can contribute to improving productivity and competitiveness. There are successful examples of Australian IP embedded in Vietnamese manufacturing and agricultural exports.

3. Tools to overcome obstacles

Entering any new market poses challenges and Viet Nam is no different. Commonly cited difficulties include the legal and regulatory environment, inadequate infrastructure, corruption, property rights and visa processes amongst others. Australian businesses must be aware of these challenges but not overstate them.

Market entry challenges can be navigated through rigorous planning, strong relationships and local expertise. An eco-system of support is available in Australia and Viet Nam made up of Federal and provincial/state governments, industry bodies, chambers of commerce, academia, civil society organisations, students, alumni, diaspora and locals. These support services remain underutilised though they are vital resource for business looking to the Vietnamese market.

THE WAY FORWARD >

Crystallising these opportunities requires a ‘Team Australia’ approach – bringing together federal and state governments, industry, academia and civil society to focus on raising Australia’s profile in the Vietnamese market. A few priority areas for further development are noted below:

Australia needs to improve its cultural literacy of Viet Nam. The Asia Taskforce Report *A Second Chance* makes the case for stronger Asia engagement across language and culture along with skills and capabilities to navigate a complex world. Australia should invest in Vietnamese language and cultural programs, link programs and skills to business needs, and better utilise Viet Nam capability in the diaspora and alumni communities.

Australia needs to actively pursue its areas of competitive advantage in Viet Nam. Further research

may be required to unearth challenges and opportunities within particular sectors.

Targeted trade missions also offer opportunities for Australian businesses to demonstrate capabilities and make their presence felt. COVID-19 travel restrictions have prevented in-person trade missions but some state governments, like Victoria, have run virtual trade missions in their place.

Greater government-to-government co-operation is needed to address many of the regulatory barriers holding back economic engagement. For example, a digital agreement along the lines of the recently completed agreement with Singapore could be useful in establishing rules that underpin the digital economy. Australia could also better utilise targeted aid programs to build capacity of Vietnamese officials especially at the provincial level.



ROUND TABLE PARTICIPANTS

The Hon Dan Tehan MP

Minister for Trade, Tourism and Investment

Prof Martin Bean CBE

Former Vice Chancellor, RMIT University

Ms Penny Burt

CEO, Asialink

The Hon Dr Craig Emerson

Director, Australian APEC Study Centre at RMIT University

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Victoria Commissioner to South East Asia, State Government of Victoria

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Mr Layton Pike

Deputy Chair, Australia Vietnam Leadership Dialogue

Ms Dianne Tipping

Founder and Managing Director, Excon International, and Chair, Export Council of Australia

Mr Mark Vassella

Managing Director and CEO, BlueScope Steel

AUSTRALIAN CEO ROUNDTABLE ON VIET NAM SERIES >

A national CEO Roundtable on Viet Nam was convened by Asia Society Australia and hosted by RMIT University. It brought together The Hon Dan Tehan MP, Minister for Trade, Tourism & Investment with business, university and civil society leaders in Australia with experience and interest in the Vietnamese market to discuss practical ways where government, business and the university sector can work together in a “Team Australia” approach to strengthen the economic relationship.

The CEO Roundtable on Viet Nam series is designed to bring together senior business leaders with government, academia and civil society to advance bilateral trade and investment links between Australia and Viet Nam. These high level roundtables discuss practical ideas to pursue trade and investment opportunities, while developing business-to-business connections, and professional relations between leaders. Each roundtable results in working papers and video case studies to inform and support business outcomes in Viet Nam.

The Roundtable discussions build on the recent report *A Path to Viet Nam: Opportunities and Market Insights for Australian Business* developed by Asia Society Australia and the Australian APEC Study Centre at RMIT University.

Working Papers in this series:

- **One – Viet Nam Now: Strengthening Bilateral Engagement (June 2021)**
- **Two - Viet Nam Now: The Way Ahead for Australian Business: NSW Case Studies (June 2021)**
- **Three – Viet Nam Now: Operating on the Ground (November 2021)**
- **Four – Education Reciprocity: Australian University Experiences in Viet Nam (December 2021)**

Department of Foreign Affairs and Trade (DFAT), Australia

DFAT promotes and protects Australia's international interests to support our security and prosperity.

We work with international partners and other countries to tackle global challenges, increase trade and investment opportunities, protect international rules, keep our region stable and help Australians overseas.

In December 2021, the Department and the Vietnamese Ministry of Foreign Affairs jointly launched the Australia-Viet Nam Enhanced Economic Engagement Strategy (EEES) and its accompanying Implementation Plan. The Strategy and Plan set out visions for why – and how – Australia and Viet Nam can work together with the aim of becoming top ten trading partners and doubling two-way investment. The Strategy is focused on key sectors where Viet Nam and Australia have particular strength to build on the trade and investment relationship, as well as the greatest potential to assist both countries' recovery from COVID-19 and to achieve the targets of this Strategy.

Asia Society Australia

Asia Society Australia is Australia's leading global think-tank and membership organisation dedicated to Asia, focusing on the interplay between business and policy.

We connect business, policy and society, helping Australians to understand and engage with Asia and to navigate our shared futures.

We are a national, independent, non-partisan, and non-political institution with a national centre in Melbourne, office in Sydney and a program accessible in Australia and globally through digital and face-to-face platforms. Asia Society Australia is a centre of Asia Society – a preeminent global and non-profit organisations dedicated to Asia, founded in 1956 by Jon D. Rockefeller 3rd, with centres in New York, Hong Kong, Houston, Los Angeles, Manila, Melbourne, Mumbai, Paris, San Francisco, Seoul, Sydney, Tokyo, Washington DC and Zurich.

For more information on trade and investment opportunity between Asia and Australia, visit:

asiasociety.org/Australia
dfat.gov.au/trade

ACKNOWLEDGEMENTS

Asia Society Australia acknowledges the support of the Australian Department of Foreign Affairs and Trade (DFAT)



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Images: Markus Winkler/Unsplash, Quang Nguyen Vinh/Pexels, Thai Bach/Pexels

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