

TRADE SMARTER - WORKING PAPER TWO

VIET NAM NOW: THE WAY AHEAD FOR AUSTRALIAN BUSINESS - NSW CASE STUDIES

New insights from industry leaders on doing business in
Southeast Asia's new economic powerhouse

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VIET NAM NOW: THE WAY AHEAD FOR AUSTRALIAN BUSINESS - NSW CASE STUDIES

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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. It is a key export market for New South Wales and central to the NSW Trade Statement.

HOST:

KPMG Australia

KEY TAKEAWAYS >

1. **Supply chains reliability:** Supply chain security is creating new complementarity
2. **Agri-food:** Reliable brands matter as urbanisation increases
3. **Education:** Hybrid learning, R&D partnerships and VET are priorities
4. **Diversification and Urbanisation:** Investment and urbanisation are changing the economy
5. **Technology:** Great opportunities in areas such as ed-tech and ag-tech

This paper draws on the discussions at a jointly convened roundtable in June 2021 on the experiences of and outlook for NSW businesses entering the Viet Nam market. Government participants indicated that the Federal and NSW governments were closely aligned on what they thought the priority sectors are: agri-food, education and training technology and resources and energy.

A NEW ECONOMIC RELATIONSHIP >

Trade growth between NSW and Viet Nam has exceeded Australia's national trade growth with Viet Nam. In the 2020-21 period, Viet Nam was ranked NSW's 9th largest two-way trading partner, and 10th

largest export partner. NSW-Viet Nam two-way trade reached \$4.775 billion, with NSW exports growing 18.6% annually (CAGR). Accounting for 2.7% of NSW's exports and 2.8% of two-way trade, NSW-Viet Nam trade is leading Australia's economic engagement with Viet Nam.

In 2019, NSW and Ho Chi Minh City committed to a Sister State Relationship Memorandum of Understanding (MoU) – the first of its kind signed by Ho Chi Minh City. The NSW Government and the Ho Chi Minh City People's Committee committed to growing economic engagement in key areas such as education and training, resources, food and agriculture, start-ups and technology, infrastructure and tourism.

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



Ho Chi Minh City

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 >

The NSW Government and Asia Society Australia have each contributed to the achievement of the national target for increased economic cooperation between the two countries.

Following the signing of the NSW-HCMC Sister State Relationship MoU, the NSW Government appointed its first NSW Trade and Investment Director, Ho Chi Minh City in 2020. The NSW Government will strengthen its Vietnam and ASEAN network further through the appointment of a Senior Trade and Investment Commissioner to ASEAN.

Asia Society Australia, in collaboration with the Australian APEC Study Centre at RMIT University published [A Path to Viet Nam](#) which examines opportunities for Australian business.

From June to December 2021, Asia Society Australia collaborated with the Department of Foreign Affairs and Trade to conduct three roundtables to support the new Enhanced Economic Engagement Strategy. They covered a business briefing by the

Minister for Trade, Investment and Tourism, The Hon Dan Tehan MP, key issues for Australian businesses in Viet Nam, and the outlook for Australian education providers. DFAT also supported the publication of the second volume of *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*.

To build on these initiatives, this paper draws on the discussions at a jointly convened roundtable in June 2021 on the experiences of and outlook for NSW business entering the Viet Nam market.

SUPPLY CHAIN RELIABILITY IN RESOURCES >

Viet Nam has long been an export market for Australian coal and iron ore. But the potential for this sector to become a driver of more enhanced economic cooperation has been demonstrated by the purchase of the Northern Territory Roper Valley iron ore project in May 2020 by Vietnamese steelmaker Hoa Phat Group. The company says it wants to source half its iron ore supplies from Australia and is looking at further vertical integration into the country by buying coking coal mines.

“Clearly Viet Nam is looking to Australia as a partner in some of those strategic supply chains which touch so many other people along the value chain in service provision, legal, financial, project management and logistics,” one roundtable participant said. So, while commodity exports remain valuable, the discussion highlighted how building more secure supply chains in the resources, energy and infrastructure sectors will provide a wider range of business opportunities with Viet Nam.

PATHS TO MARKET IN AGRI-FOOD >

Food is one of the most diverse sectors for NSW and Australian businesses in Viet Nam ranging from traditional commodity exporting in the case of cattle, to fast growing branded products such as wine and then in country investment for export from Viet Nam in the case of rice. Participants said this was an area where state-based businesses particularly needed to be aware of national government and industry organisation export marketing and strategy and then draw on state channels. One participant said: “Consumers have a very positive association with the Australia brand. So, it is about how you leverage that Australian brand.” But both branded and commodity food exporters cautioned that Viet Nam still needed to be treated as a very individual market within Asia and even Southeast Asia as its consumers were still very price sensitive despite the rising household disposable income. This was a particularly important point for exporters trying to diversify into Viet Nam, as many now are.

Nevertheless, meat producers see Viet Nam as one of the most attractive growth opportunities in Asia. They note that it is particularly important as a market which will take a full range of meat cuts thereby maximising the value of the animal. However, it is more important as a new market for wine producers due to the low per capita consumption and an expected cut in domestic taxation on wine next year. NSW wine only accounts for about 15% of Australian exports to the country, potentially providing more scope for growth. But food and beverage exporters say that non-tariff barriers along with distribution and logistics remain a challenge in this sector.

The NSW Government’s expanded presence in Viet Nam and the broader ASEAN region through Mr Nguyen and the appointment of a Senior Trade and Investment Commissioner to ASEAN, will help NSW exporters, in this regard.

On the other hand, an investor in domestic food production said that after learning how to negotiate central and provincial government differences, the investment experience had been very positive. “The stability of the political system to open up to foreign investment has allowed us to have a clear idea of what is desired at the top. And the entrepreneurialism of the Vietnamese people has been a pleasure to deal with,” the investor said. “Go visit. A lot of our lessons were learned from just being in country, meeting different people, networking, finding people who know and getting experience from other people,” one participant advised.

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Hoan Kiem Lake, Hanoi

LEARNING NEW SKILLS IN EDUCATION >

As NSW's ninth largest and Australia's fourth largest source of foreign students, Viet Nam is a key country in the campaign to get students back to NSW and Australia after COVID-19. To this end Investment NSW has joined Austrade in the production of a 22-episode television promotion in Viet Nam on the benefits of studying in the State. Other resources will also be specifically devoted to promoting NSW as a place to study. However, the roundtable discussions focussed on the evolution of the business model in the education and training sector towards more hybrid approaches including online delivery, Viet Nam-based programs, using the country as a base for regional education, and long-term research partnerships with Viet Nam institutions or businesses which have a training component.

A representative of one institution characterised their approach as one which involved flexibility responding to new opportunity. Flexibility was needed in managing how long Vietnamese students studied in country before completing their degree in Sydney and then whether they would want to do a second degree in NSW. A new opportunity had arisen in the possibility of using Viet Nam as a hub for students from less developed neighbouring countries to get a taste of western education before taking the bigger step to studying in NSW.

Education institution participants particularly emphasised the need to take a long-term approach to developing a business in Viet Nam noting that there was some scepticism from potential Vietnamese partners about foreign institutions trying to secure students. "We're very conscious of not wanting to rush into this ... It is essential to understand the culture and work out what are the real partnerships and values there rather than just to see this as an economic opportunity. It is really going to be over the five-to-fifteen-year time horizon that the tertiary sector will be able to build those deep and lasting relationships." One way to do this was to build partnerships between researchers and industry to develop capacity and subsequent demand for further education in fields such as agriculture and information technology. "There is a real gap in relation to capacity development in aspects of the health sector both medical and nursing and other areas. And there is a real gap in post-graduate education and continuing education as well," one participant observed.

Building links with international companies in Viet Nam was advanced as a good way of providing a broader educational offering for students originating in both Viet Nam and NSW. And developing links with local industry partners was also seen as

critical to servicing the country's growing demand for vocational education. One participant pointed out that in this training sector area there was a major conundrum between what was affordable for Vietnamese students and what was a viable product for an Australian provider. "The secret ingredient is an industry partner," the participant said of providing training in industries such as hospitality, tourism, food processing and health. "There is a great opportunity for our vocational sector to be able to partner with the VET sector in Viet Nam but having that local industry partner that can help co-fund is necessary."

See **Working Paper Four – Education Reciprocity: Australian University Experiences in Viet Nam** for more discussion on Australia's Higher Education sector perspectives on Viet Nam

POPULATIONS, URBANISATIONS AND DIVERSIFICATION >

While the sectors where NSW and Australia has some comparative advantages were the main topics discussed, Viet Nam-based participants also emphasised that these opportunities should be seen in the context of the country's broader economic development. Two thirds of the 100 million population are still living in rural areas. But as foreign multinationals diversify manufacturing with investment in Viet Nam, urbanisation is being driven by people moving to cities looking for higher paid jobs. This in turn is driving demand for housing development, higher quality modern food and skills education. "Viet Nam's large number of free trade agreements make manufacturing investment attractive," one participant said, "So people now have wealth to invest in tertiary education and food."

Business advisers said that this virtuous circle of manufacturing investment driving rising wealth meant that foreign direct investment restrictions were likely to be reduced. But they said NSW businesses planning investment still needed to familiarise themselves with and find local partners who understood difficult issues such as employment law, land ownership, foreign exchange controls and enforcement of arbitration decisions when investments run into disputes.

ROUND TABLE PARTICIPANTS:

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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)**

Invest NSW

Investment NSW is a central agency that will make life easier for the private sector by consolidating the NSW Government’s trade and investment attraction activities into one place.

We’re about marketing Sydney and NSW on the world stage – making it a place for tourism, events, business investment, international study and global talent to locate and expand.

We’re also about making it easier to engage with government – including by acting as a concierge for business, universities and other institutions and partnering with other parts of the public service and our international network to bring the best of what the NSW Government has to offer to create valuable partnerships.

Contact Investment NSW at [+61 2 4908 4800](tel:+61249084800) or <https://www.investment.nsw.gov.au/contact-us/>

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

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