

THE AUSTRALIAN  
APEC STUDY CENTRE



Asia-Pacific  
Economic Cooperation

In partnership with



# A Path to Viet Nam

Opportunities and  
Market Insights for  
Australian Business



Asia  
Society

Australia



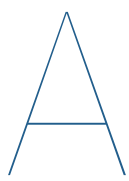
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# PREFACE



Australia and Viet Nam are natural economic partners. Viet Nam is an exciting and dynamic market, and one of Australia’s fastest growing trading connections. Viet Nam’s rapid growth over three decades, consistent economic reform, swift digital uptake and competent COVID-19 management have put the country in good shape. The two countries have committed to enhancing their economic engagement and have elevated their political and strategic relationship.

This presents a unique opportunity for Australian business to make Viet Nam a part of their global strategy.

This report provides Australian business with timely information on the products, services and sectors that offer the most viable opportunities in Viet Nam. It provides analysis of opportunities and barriers as well as offers practical advice and case studies based on consultations with successful Australian ventures, academics and government officials.

Our organisations have been working in or with Viet Nam for several decades in distinct but complementary ways. Asia Society Australia aims to build deeper and sustained engagement between Australia and Viet Nam across business, policy and society. RMIT University has multiple campuses in Viet Nam, has educated thousands of students, and retains an enduring commitment to the country. The Australian APEC Study Centre continues to promote regional economic integration through research and capacity building.

We understand that operating in a foreign market requires an awareness of local challenges, regulatory hurdles, cultural differences and ways to address them. Viet Nam is no different. But these can be navigated with the right approach and resources.

Viet Nam generally welcomes Australian business. Brand Australia is well regarded, and opportunities abound for businesses willing to seize them.

An informed community of companies, agencies, individuals, diaspora and alumni with critical knowledge and networks is available for building trade and investment links between Australia and Viet Nam. This provides a great asset for new entrants to the country.

Our governments have set an ambitious joint target for the bilateral economic relationship: to become each others’ top ten trading partners and to double two-way investment. This goal will inform an Enhanced Economic Engagement Strategy agreed by the Australian and Vietnamese Prime Ministers last year. Viet Nam will also be an important partner for Australia as it seeks to expand its economic relationships in the Indo-Pacific and chart its pathway to recovery after COVID-19.

This report directs the spotlight on economic and commercial opportunities in Viet Nam and supports Australian businesses to achieve these goals.

  
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The research team was guided by a high-level advisory team chaired by Layton Pike (Chief Global Advisor, RMIT and Deputy Chair of Australia Viet Nam Young Leadership Dialogue) and comprising Philipp Ivanov (CEO, Asia Society Australia); Mathews Nkhoma (Dean, School of Business and Management, RMIT Viet Nam); Phillip Dowler (Head of Campus, Hanoi, RMIT Viet Nam); Duong Hong Loan (Director, Strategic Relations, RMIT Viet Nam); Ngan Collins (Associate Professor Business, RMIT) and Peter Coloe (Deputy Vice-Chancellor Global Development, Vice President RMIT and Chairman RMIT Viet Nam).

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EXECUTIVE  
SUMMARY





# EXECUTIVE SUMMARY

Viet Nam has emerged from the COVID-19 crisis better than most countries in the world after proactive management of infections and has maintained positive economic growth in contrast to many of its peers.

This report aims to build on this success to raise awareness of business opportunities in the country and pathways for Australian companies interested in participating.

It presents original research, analysis, and outcomes from a consultation with Vietnamese-based Australian companies, organisations, and academics to assist businesses in assessing trade and investment opportunities.

## An emerging economic partnership

Australian businesses are being urged to expand engagement with Asia to capitalise on economic complementarities, diversify supply chains, and benefit from regional growth and integration. As an advanced and globally connected economy in the region, Australia is well placed to benefit from engagement with neighbouring Asian economies to build trade, investment, and innovation networks.

Heightened geopolitical tensions in the region, driven by a more competitive relationship between the United States (US) and China, have highlighted the need for Australia to have a broad and diverse network of trade partners.

In the wake of COVID-19 there is renewed scope to expand exports to Asian markets, diversify into emerging sectors and tap into regional economic growth through investment.

The recent Asia Society Australia and Business Council of Australia (BCA) Taskforce Interim Report highlighted these opportunities.<sup>1</sup>

The findings from this report show Viet Nam is a standout option for Australian businesses to consider as a market for goods and services and business investment.

It is a densely populated, developing and urbanising country, rapidly transitioning to an industrial and market-based economy through trade and investment and making strides to position itself to thrive in Industry 4.0 (or Fourth Industrial Revolution).

The transformative potential of Industry 4.0 to modernise economic activity through smart technologies, automation, artificial intelligence, the Internet of Things, and big data, is of even greater interest in the region in the wake of COVID-19.

Viet Nam has had uninterrupted economic growth since 1989 including during the 1997 Asian and 2008 Global Financial Crises. Its domestic management of the initial phase of COVID-19 has been lauded around the world, and its leadership of the Association of Southeast Asian Nations (ASEAN) during the pandemic has been measured and effective. The Government has played an active role in regional economic agendas. And at home it has continued its economic modernisation optimising business conditions during a challenging period. As a result the country is still attracting high levels of foreign investment from around the world.

The bilateral relationship between Viet Nam and Australia has been strong. It is poised to deepen through new bilateral commitments to enhance economic, security and innovation engagement. Australia has three Free Trade Agreements (FTAs) with Viet Nam - the Comprehensive Progressive Trans-Pacific Partnership (CPTPP), the ASEAN-Australia-New Zealand Free trade Agreement (AANZFTA), and the recently signed Regional Comprehensive Economic Partnership (RCEP). These agreements have delivered market access advantages for Australian goods and services to Viet Nam, in some cases creating measurable advantage over competitors.

In 2019, two-way trade between the two countries reached nearly \$15.5 billion.<sup>2</sup> Almost 500 Australian-financed projects with capital totalling more than US\$2 billion were reported by Viet Nam, involving larger Australian subsidiaries as well as smaller enterprises.<sup>3</sup>

Since the 2018 ASEAN-Australia Special Summit in Sydney, both countries have been working to elevate the bilateral relationship to a Comprehensive Strategic Partnership enhancing economic engagement, security and innovation collaboration.



“We’re at a sweet spot in our partnership. Viet Nam is rapidly industrialising and developing, and Australia is willing and able to support that growth. Our two economies are complementary – I believe we can and will prosper together. ... In the years ahead, I would like to see Australian investment in Viet Nam grow further.... The capacity for Australia and Viet Nam to work even more closely together is enormous. Our partnership is full of potential. It’s full of opportunities.”

PRIME MINISTER SCOTT MORRISON - 2019

They are both working on Enhanced Economic Strategies to meet a joint ambition to become top ten trading partners and doubling investment.<sup>4</sup>

This new bilateral engagement should also be seen in the context of a commitment to a new chapter of enhanced relations under the ASEAN-Australia Strategic Partnership which was announced in November 2020 as part of Viet Nam’s 2020 ASEAN Chairmanship.<sup>5</sup>

<sup>1</sup> Business Council of Australia, Asia Society, PwC Australia, the University of Sydney Business School, 2020. *Asia Taskforce Interim Report A Second Chance*

<sup>2</sup> DFAT, 2020. *Viet Nam Country Brief 2020*

<sup>3</sup> Viet Nam Ministry of Planning and Foreign Investment Agency, 2020.

<sup>4</sup> Prime Ministerial Media Release, 2019. *Joint Statements between Australia and Viet Nam*

<sup>5</sup> ASEAN, 2020. *Joint Statement Second ASEAN-Australia Biennial Summit: A Strong Partnership for Recovery*



**Where businesses can succeed**

Australian companies are not yet taking full advantage of existing and emerging market opportunities in Viet Nam as the effects of COVID-19 ease and as Industry 4.0 gains momentum in the country.

Australian businesses, especially SMEs, are often less represented in exporting and overseas investments due to limited resources and access to information and networks.

Doing business offshore involves myriad challenges: identifying commercial opportunities, assessing possibilities and constraints, working with language and cultural differences, and building resilient business models.

The report provides an overview of Viet Nam and the bilateral relationship with Australia before turning to consider trade and investment opportunities.

It presents the results of analysis of Australia's pre-COVID-19 trade and investment with Viet Nam to highlight those sectors where there is scope to expand based on demand, proven export capability and supplier advantage and favourable market access.

It also discusses the prioritised sectors under the expanding bilateral economic framework of recent new trade agreements.

**Australian businesses can leverage a thriving but not widely understood bilateral eco-system of relationships to support their efforts in Viet Nam. The eco-system is a vital resource for business considering Vietnamese opportunities, a source of potential market intelligence, advice and support.**

The report concludes with the findings from a consultation with Australian exporters and investors, government and academics in the eco-system on why and how to do business in Viet Nam, plus the opportunities, challenges and practical strategies for success.



“Existing competitive advantages, reform of the investment environment and increasing international position, and positive and effective anti-COVID-19 measures, Viet Nam has been highly appreciated by the world community, becoming an attractive and safe investment destination for foreign investors.”

**NGUYEN CHI DUNG MINISTER OF PLANNING AND INVESTMENT - 2020**

Viet Nam and Australian engagement will deepen in coming years, buttressed by Government to Government cooperation, shared interests in regional institutions and alignment globally. Viet Nam is one of the most dynamic economies in the world: an open, growing and emerging market economy that offers opportunities for Australian businesses which are willing to engage and adapt to local market conditions, cultural realities and leverage the unique eco-system.




Bus Station at Ho Chi Minh City - Thu Nguyen




# KEY FINDINGS


## MAIN OPPORTUNITIES

	Viet Nam is a fast-growing, emerging economy with opportunities in a range of areas.	
	Significant opportunities exist across	Goods: beef, live cattle, grains (wheat and barley), cotton, horticulture (almonds, raisins, oranges and broad beans) and processed foods.
		Resources: Mining, minerals, metals, and mining equipment, technology and services (METS).
		Services: education, ICT, insurance, environmental and health services.
		Industry 4.0 – Fintech, Agtech, Healthtech, Edtech; logistics; IT services; digital skills


## WHY VIET NAM

	Strong economic growth and potential
	Politically stable and reform-oriented
	Open to regional and international markets
	Cost advantages for now
	Stellar COVID-19 management
	Deepening bilateral ties with Australia

## MARKET ENTRY

	Invest in extensive due diligence: research with maximum on-the-ground activity before setting up
	Seek local advice on issues including employment/labour relations/working conditions, business set-up options, financing, taxation, incentives etc.
	Utilise referral networks to select sales agents, partners, or independent contractors carefully.
	Decide which entry model has the most advantages and manageable risks for your business.
	Pick your location based on considerations of infrastructure and proximity to customers, inputs, and partners. Also consider the advantages and costs of designated industrial parks and economic zones.
	When deciding on a location, provincial government considerations are critical. Use available tools to assess indicators of corruption and efficiency.

## AGENDA FOR SUCCESS

	Adopt a long-term (five to ten year) perspective in all planning
	Be realistic and do not over-reach or overestimate your capabilities
	Ensure the right infrastructure, networks and knowledge are in place
	Invest in relationships with partners, suppliers, and central and provincial government officials.
	Carefully build company readiness, market knowledge and cultural capability
	Build local experience. Spend time on-the-ground. A fly-in-fly-out approach will not work.
	Foster loyalty and staff retention by providing an ‘Australian’ workplace with substantial training and English language development opportunity.
	Use local advisors to help navigate government bureaucracy and regulations.
	Maintain an open stance from the outset on anti-bribery and corruption practices. Australian firms are generally associated with strong governance.
	Prepare to augment products, services, or business models for the local market.

## BUSINESS DYNAMICS

	Viet Nam’s fast moving and competitive business environment has unique political and cultural aspects.
	Relationships are key in Viet Nam. They are frequently set up through referral and introductions.
	Managing relationships typically requires greater involvement to establish a personal rapport, and communication over time than Australian business is used to.
	Consistent and patient communication is effective in resolving many issues in Viet Nam
	Political and business dynamics are often entwined. Australian businesses need to understand the political system and the role Government can have in business.
	Understanding how to work with provincial governments is essential.
	It is quite common to have to navigate regulation and having good contacts can bring operational clarity.



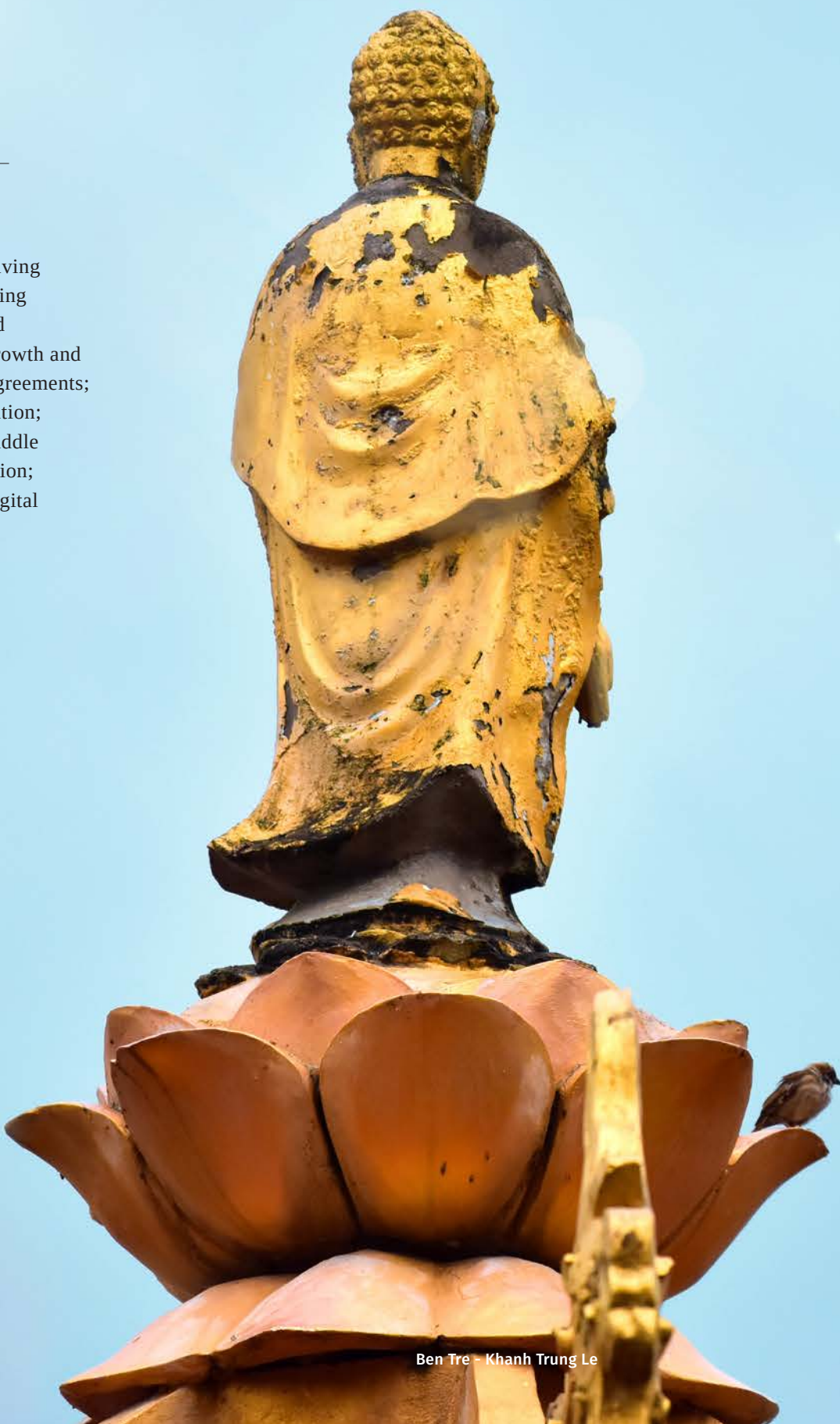
COUNTRY  
OVERVIEW





# COUNTRY OVERVIEW

This section looks at the factors that are driving development and growth in Viet Nam, making it an attractive destination for exporters and investors. They include strong economic growth and competitiveness; benefits from free trade agreements; ongoing domestic reforms; regional integration; favourable demographics; growth of the middle class; growing domestic demand; urbanisation; an increasingly educated workforce; and digital transformation.



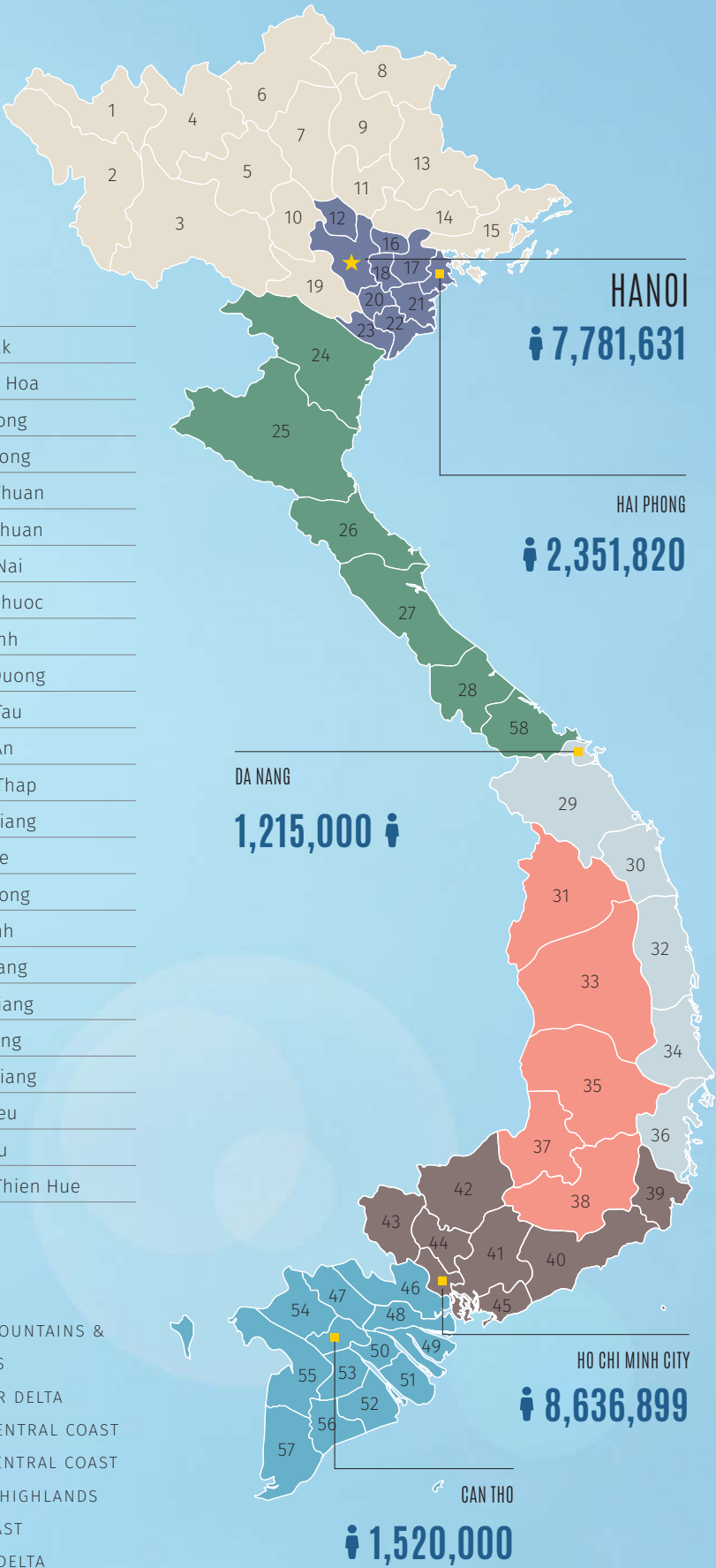
## VIET NAM

### PROVINCES

1	Lai Chau	35	Dak Lak
2	Dien Bien	36	Khanh Hoa
3	Son La	37	Dak Nong
4	Lao Cai	38	Lam Dong
5	Yen Bai	39	Ninh Thuan
6	Ha Giang	40	Binh Thuan
7	Tuyen Quang	41	Dong Nai
8	Cao Bang	42	Binh Phuoc
9	Bac Kan	43	Tay Ninh
10	Phu Tho	44	Binh Duong
11	Thai Nguyen	45	Vung Tau
12	Vinh Phuc	46	Long An
13	Lang Son	47	Dong Thap
14	Bac Giang	48	Tien Giang
15	Quang Ninh	49	Ben Tre
16	Bac Ninh	50	Vinh Long
17	Hai Duong	51	Tra Vinh
18	Hung Yen	52	Soc Trang
19	Hoa Binh	53	Hau Giang
20	Ha Nam	54	An Giang
21	Thai Binh	55	Kien Giang
22	Nam Dinh	56	Bac Lieu
23	Ninh Binh	57	Ca Mau
24	Thanh Hoa	58	Thua Thien Hue
25	Nghe An		
26	Ha Tinh		
27	Quang Binh		
28	Quang Tri		
29	Quang Nam		
30	Quang Ngai		
31	Kon Tum		
32	Binh Dinh		
33	Gia Lai		
34	Phu Yen		

**REGIONS**

- NORTH MOUNTAINS & MIDLANDS
- RED RIVER DELTA
- NORTH CENTRAL COAST
- SOUTH CENTRAL COAST
- CENTRAL HIGHLANDS
- SOUTH EAST
- MEKONG DELTA





VIET NAM



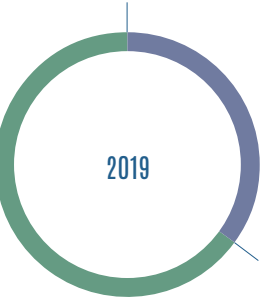
POPULATION 2020

96,483,981

PROJECTED TO BE

104 million

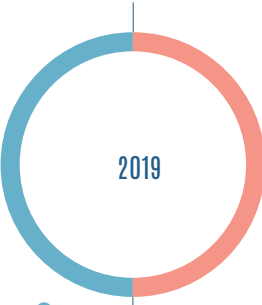
by 2030



RURAL  
65%



URBAN  
35%



MALE  
49.8%



FEMALE  
50.2%

LIFE EXPECTANCY  
AT BIRTH

73.6 years

TOTAL DEPENDENCY  
RATIO OF POPULATION

44%

MEDIAN AGE

31.9 years



LABOUR FORCE  
AT 15+ AGE

55.8 million

EMPLOYED POPULATION  
AT 15+ AGE

54.7%

UNEMPLOYMENT

2.17 %



LANGUAGES

Vietnamese  
Chinese  
English

45% basic proficiency  
10% business proficiency

Russian  
French

RELIGION

None 82%  
Buddhist 7%  
Catholic 6.6%  
Cao Dai 2.5%  
HoaHao 1.7%  
Protestant 0.9%  
Muslim 0.1%

ETHNICITY

8 million people / 54 ethnic  
groups including Hmong,  
Nung, Hao, Khmer and Dao

LITERACY

93%



2019 GDP

US\$261.9b

MORE THAN DOUBLING SINCE 2010

GDP PER CAPITA 2019

US\$2500

COVID IMPACT



MAINTAINED GDP GROWTH  
IN FIRST NINE MONTHS OF  
2020 OF

2.12%

PROJECTED POST-COVID  
GROWTH: 2021 ECONOMIC  
GROWTH TARGET OF

6.5%

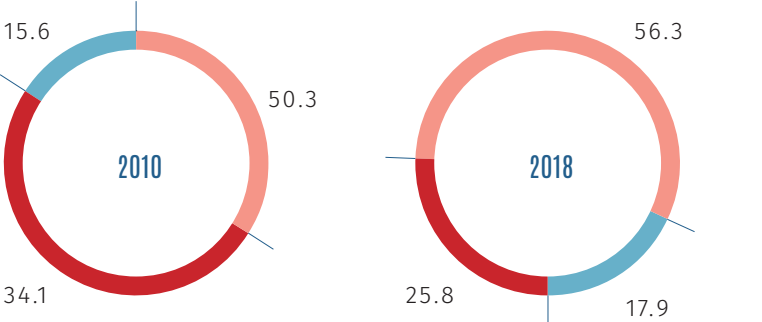
GDP 2019 % of economy Growth rate

Industry 34.5% 8.9%

Services 41.6% 7.3%

Agriculture 14% 2.01%

SOE PREVALENCE AVERAGE ANNUAL CAPITAL BY TYPE OF  
ENTERPRISE (% OF TOTAL CAPITAL IN THE ECONOMY)



STATE OWNED ENTERPRISES NON-STATE ENTERPRISE FOREIGN ENTERPRISE

INCLUSIVITY

Inclusive Development Index score 3.98

INDICATING RELATIVELY INCLUSIVE AND  
SUSTAINABLE DEVELOPMENT

COMPETITIVENESS

67th of 141 economies

JUMPING 20 RANKS OVER FIVE YEARS

MARKET

44th-largest

IN THE WORLD (GDP) AND 27TH-LARGEST (PPP)

EASE OF DOING BUSINESS INDEX

70th of 190 economies

UP 20 RANKS SINCE 2010.

CORRUPTION

Scored 37/100

UP 4 POINTS FROM 2018, AND RANKED 96/180 IN  
2019 CORRUPTION PERCEPTION INDEX

IP PROTECTION

Ranked 42nd of 131 in WIPO Global Innovation  
Index 2020

A 17-RANK JUMP IN FOUR YEARS

LABOUR FORCE

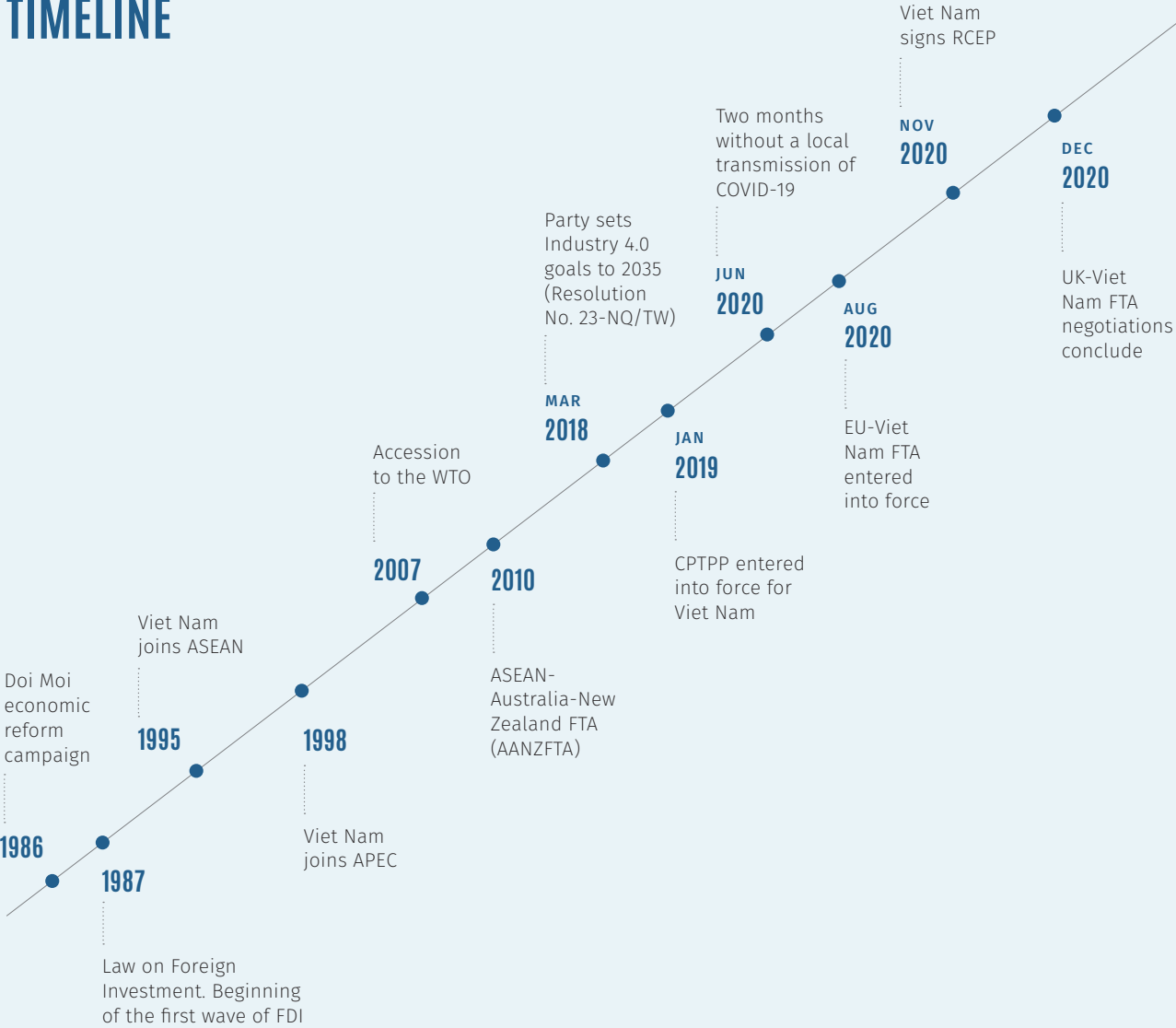
57th out of 76 in 2020

TOTAL WORKFORCE INDEX FOR REGULATION, SKILLS,  
EFFICIENCY, AND PRODUCTIVITY

OPENESS

Open economy with a 2020 trade-to-GDP ratio of  
190%

TIMELINE







A mid-40 man working in a construction site - Tung Do

### The geographic realities

A long slender country on the southeast coast of the Asian continent, Viet Nam sits at the heart of regional trade routes, territorial tensions, and environmental challenges. To the east, it faces the East Sea as the Vietnamese know the South China Sea. It is bordered to the west by Laos and Cambodia, and to the north by China’s Guangxi and Yunnan Provinces and the manufacturing clusters in Guangdong Province.

Living next door to the economic powerhouse of China brings many challenges. Despite sharing common cultural and political characteristics, Viet Nam is fiercely opposed to any perceptions of Chinese encroachment on its sovereignty. Periodic border conflict was a reality until 1990, China’s territorial claims in the South China Sea are a current source of tension and there is evident unease about Chinese economic influence in some segments of Vietnamese society. The government’s multilateral activities help to balance its relationship with China. The country’s regional integration benefits from its geographic position as well as from its membership of a growing list of institutions including ASEAN and the Asia Pacific Economic Cooperation group.

The country is well-positioned to access major shipping and transportation routes providing access to international markets. Investment is ongoing in Viet Nam’s main deep-water container ports along the 3,200km-long coastline. In 2019, the World Economic Forum’s (WEF) Global Competitiveness Report, ranked the country 83rd among 138 economies on the quality of port infrastructure.

### A unique culture

While geographically situated in Southeast Asia, Viet Nam has strong East Asian influences. Confucianism plays a significant role in the faith and personal beliefs of many Vietnamese. The Confucian work ethic, consensus decision making and desire for respect, harmony, duty, and loyalty continue to play an important role. Traditional hierarchical relationships in society are easing as the country opens to global influences. However, networking and maintaining strong relationships continue to

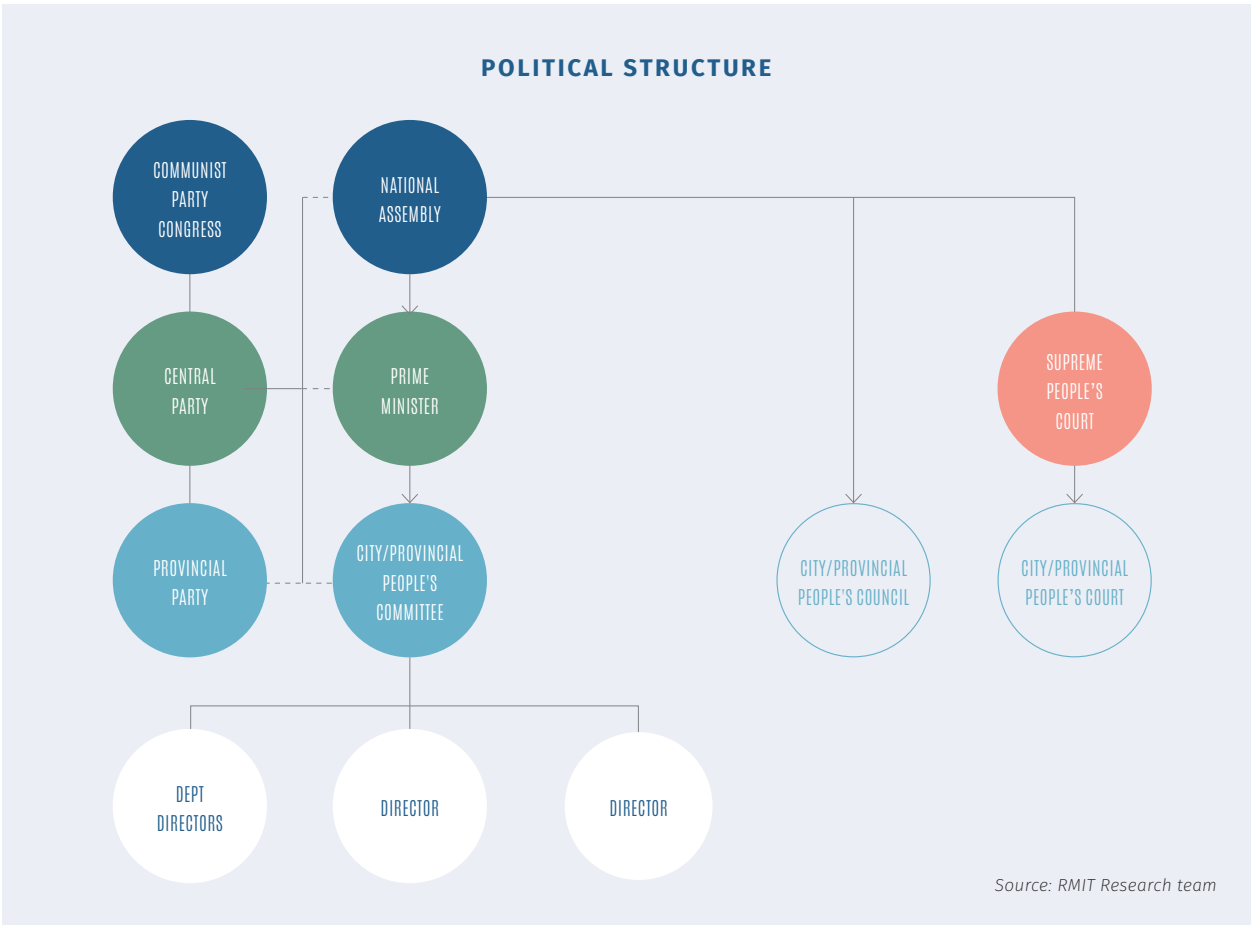
be an important part of Vietnamese culture. And the country’s 54 ethnic groups also influence this unique culture.

### The political structure

Viet Nam is a one-party state governed by the Communist Party of Viet Nam (CPV). The National Assembly is a unicameral legislative body with constitutional authority to legislate and oversee implementation. It selects the President as Head of State and the Prime Minister as Head of Government. Power is equally dispersed among the top leaders, but the Communist Party Leader is first amongst equals. The National Party Congress elects a Central Committee to guide Party affairs inter-sessionally. The Central Committee then elects a 19-person Politburo to oversee day-to-day operations of the Party.

The next 5-year Congress, the 13th National Congress, is set for the first quarter of 2021. It will set out priorities for the coming years and establish a new party central committee of more than 200 people who will hold the leadership roles across the country. The top leadership structure of the Politburo and Secretariat will likely remain the same. However, more than two-thirds of the Politburo membership will change, with more gender and age diversity, exposure to globalisation and higher education levels. This will flow through to the provincial level after the Party Congress. It is anticipated that the Party will act to maintain stability and rapid, sustainable development. There is likely to be a strong emphasis on enabling science and technology, innovation and digital transformation, and ongoing market and regulatory reform agendas. 2030 will mark the 100th anniversary of the Founding of the Party and 2045 marks the 100th anniversary of the founding of the country. The goal is to mark both events with significant progress towards being a leading developing nation with high middle income.

The second tier of Government consists of five centrally-controlled city municipalities – Ha Noi, Hai Phong, Da Nang, Ho Chi Minh City (HCMC), and Can Tho, and 58 provincial governments. The third layer of Government involves localised districts and the grassroot level is local wards or communes.



Decentralisation has been an important force for 20 years, in which the provincial governments are delegated or authorised to manage most business issues. The Central Government is primarily responsible for regulatory framework, national policies and programs, and multi-provincial issues. The Government issues five-year socio-economic plans, decrees, and directives for implementation by the city/provincial governments across the country. The decentralisation means that foreign companies (which are mainly classified as Category B or C where they have less than US\$100 million of investment projects) are generally required to build close relationships with the various autonomous provincial government leaders and bureaucrats.

### The regional perspective

Viet Nam is often defined in terms of northern, central, and southern Viet Nam, with seven associated administrative sub-regions.

- Northern Viet Nam: (Sub-regions: North and Red

River Delta) is close to China, and the North Key Economic Zone (NKEZ) is centred on Ha Noi with the other major city of Hai Phong, Bac Ninh, Hai Duong, Hung Yen, Vinh Phuc, and Quang Ninh. This region has 25 provinces, mostly involved in agriculture and manufacturing.

- Central Viet Nam: (Sub-regions: North Central, South Central Coast, and Central Highlands) There are five provinces – Thua Thien Hue, Da Nang, Quang Nam, Quang Ngai, and Binh Dinh with activity centred on Da Nang. Key industries include light industry such as food processing, maritime, and energy.
- Southern Viet Nam: (Sub-regions: Southeast and Southwest/ Mekong River Delta). The Southern Key Economic Zone (SKEZ) is made up mainly of eight cities and provinces, including HCMC, Binh Duong, Dong Nai, Long An, Ba Ria-Vung Tau, Binh Phuoc, Tay Ninh and Tien Giang. Key industries include electronics, technology, services, and telecommunications in the South, primarily centred on HCMC.



Provinces have economic zones and industrial parks earmarked for production of goods and services by foreign and domestic companies. The quality of the infrastructure, utilities, and management varies considerably from one province to the next, as do the investment concessions and incentives. These can be reset by the Central Government to encourage investment in a prioritised area or sector, or to meet a particular objective such as increasing technology transfer. The Foreign Investment Agency of the Ministry of Planning and Investment maintains an online single window for economic zones.<sup>6</sup>

**The national economy**

Modern Viet Nam has a mix of market, command and traditional economic characteristics. The economy is primarily shaped by the Government through the five-year Socioeconomic Development Strategies with a strong, pragmatic market orientation, and commitment to private-sector growth. In the mid-1980s, the Doi Moi (restoration) policies marked the first stage of Viet Nam’s transition towards a market-based economy capable of competing in the global arena, ushering in unprecedented national growth and development. In 1987, the Government enacted the Law of Foreign Investment with measurable foreign direct investment (FDI) flows from the early 1990s. They reached US\$10 billion by 1996, the year that annual GDP growth hit 9.3%.<sup>7</sup> Viet Nam has maintained impressive annual growth of at least 5% this century – double to three times that of developed economies. Since joining the World Trade Organisation (WTO) in 2007, Viet Nam’s GDP has increased by more than 300%, and import-export turnover has increased by 350%. The openness of the economy has risen continuously, increasing more than 200% last year alone.

8 Viet Nam Portal: Foreign Investment Procedures (<https://VietNam.eregulations.org/>)  
9 World Bank National Accounts & OECD National Accounts data, Viet Nam’s GDP Growth (Annual %) 1961-2019



Viet Nam is a planned economy and economic ownership includes state-owned, private and foreign-owned companies. The one-party system has embraced market principles while retaining a guiding hand in the workings of the economy. The Government has eased state ownership and restrictions in education, health, agriculture, energy, transportation, and banking but a significant number of state-owned enterprises (SOEs) remain across the economy. In some sectors, they can impact on market competitiveness. Each year the Government confirms sensitive sectors where foreign investment and market entry is restricted.<sup>8</sup>

**Post COVID-19 recovery**

Viet Nam mobilised early to combat the virus with laudable success, minimising economic contraction and erosion of confidence. While FDI flows and forward commitments dipped, the Government was able to minimise the disruption of domestic demand and held economic growth at 2.5%. This resilience in the face of the global pandemic parallels how Viet Nam also managed the Asian Financial Crisis and the Global Financial Crisis. It is forecast to be one of the world’s fastest-growing economies this year and to become one of the most dynamic global markets by 2030.<sup>9</sup>



Viet Nam Successfully hosted the 2020 Virtual ASEAN Leaders Dialogue’. Image source: Flickr

10 There are 11 sectors off limits for foreign investors according to the Ministry of Planning and Investment, 2020  
11 International Monetary Authority (IMF), Viet Nam Country Page 2020. UNCTAD World Investment Report 2020



Outward orientation

The Central Government has embraced an ambitious agenda of active economic diplomacy on many fronts, including with Australia, based on assertively open outward-looking economic policies. It has a record of meeting commitments to improve infrastructure, workforce capability, attract investment and enable digital and high-tech sectors for Industry 4.0. Current priorities in the 2021-2025 plan for the country's development include: a target of 7% average GDP growth; investment to secure a strong economic revival; and to help Viet Nam move up global value chains and drive digital transformation.

The country has an impressively broad web of international commitments. With 16 FTAs in place or under negotiation, Viet Nam has become the focal point of an extensive network of trade zones. At the end of 2019, it had official relations with 189 countries; trade and investment relations with more than 224 countries and territories; 16 strategic partners; 11 comprehensive strategic partners; and

71 countries had recognised Viet Nam as a market economy. Despite its relatively recent economic opening compared with other Southeast Asian countries, it is second only to Singapore in terms of openness in ASEAN. Viet Nam's web of FTAs provides for lower intra-regional tariffs making it a strategic location for investment.

Viet Nam is strengthening ties with advanced economies signing a trade agreement with the European Union (EU) which took effect on 11 August, 2020, and recently concluding negotiations with the United Kingdom (UK) on 11 December, 2020. Viet Nam maintains an ASEAN-first policy but has strong relations with Japan and Korea which each have established strategic partnerships with it. It has good relations with Taiwan, despite a One-China policy. Japanese, South Korean and Taiwanese firms are predicted to continue to dominate FDI flows into the country. However, increasingly Viet Nam is drawing attention from global investors particularly due to its economic growth despite COVID-19 and has attracted projects from more than 100 countries into its industrial zones during 2020.

It has taken up trade deal commitments and accepted assistance to develop the institutional and regulatory environment, infrastructure, and facilitation to attract investment. It is actively working on non-tariff barriers to trade including intellectual property protections, food safety regulations, restrictions on the internet and digital economy and other governance issues to accelerate the absorption of investment.

These actions have allowed Viet Nam to play a larger diplomatic leadership role in the region and globally. It hosted APEC in 2017, held the ASEAN Chair in 2020 and holds a non-permanent seat at the UN Security Council. It was ranked 12th out of 26 in the 2020

Lowy Institute Asia Power Index, which ranks the relative power of states and territories in Asia-Pacific across thematic measures for military capability and defence networks, economic capability and relationships, diplomatic and cultural influence, as well as resilience and future resources. That was up two spots from its 2018 ranking.

Investment openness

Foreign investment has driven socio-economic growth in Viet Nam since the late 1990s. The country's political stability, openness and the effect of early reform programs continue to underpin its attractiveness as a destination for investment. The first wave of FDI drove rapid structural transformation as capital and know-how boosted manufacturing, particularly in the region centred on HCMC. A second wave over the past decade, spurred in part by rising costs in China, brought more sophisticated manufacturing and service investments, with higher levels of technology transfer. This again drove the transition of the economy from one dominated by agriculture and textiles to more complex electronic products.

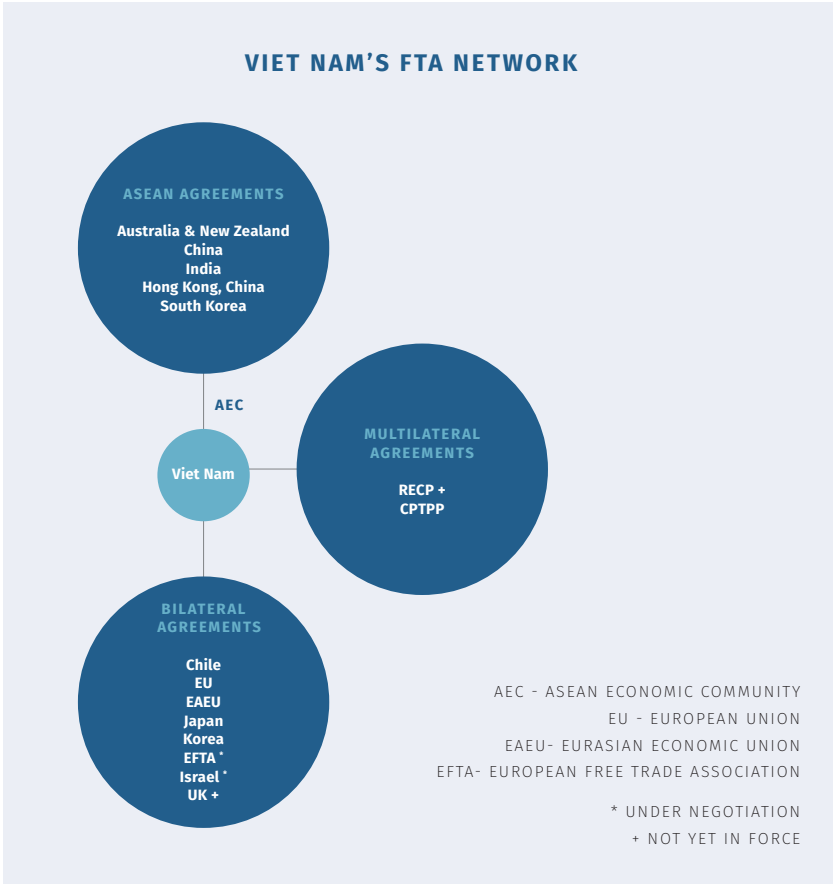
In 2018 Viet Nam was one of the world's top 20 largest recipients of FDI. The increased China-US trade tensions from 2016 provoked a rise in China-plus-one policies for many manufacturers and Viet Nam reaped the benefits. The relocation of factories from China to Viet Nam<sup>10</sup> due to China-US tensions is likely to continue in the wake of COVID-19 with the reorganisation of supply chains.



Korean companies have been significant investors in Viet Nam since the 2000s making the country their second most important investment destination after China.

Korean offshore investment is largely driven by manufacturing competitiveness with rising labour costs in China, prompting Korean firms to seek lower-cost manufacturing bases. Trade liberalisation through the signing of a Viet Nam-Korea investment agreement in 1993 and entry into force of the US-Viet Nam Bilateral Trade Agreement in 2001 effectively gave Korean investors improved access to the US market for goods. This has been followed by the signing of the ASEAN-Korea FTA (2005) and a bilateral FTA (2015)<sup>10</sup>. Domestic reforms such as some provincial autonomy over FDI conditions in 2004<sup>11</sup> has also been a factor.

Investment openness is expected to continue but with some changes. In 2019, in some provinces and cities, FDI contributed a large proportion of state budget revenue, including Vinh Phuc (93.5%), Bac Ninh (72%), Dong Nai (63%), and Binh Duong (50%).<sup>12</sup> However, the Government will likely be more selective about incentivising FDI to ensure greater knowledge transfers, job creation, local innovation and further development of local firms in global supply chains. It will be important for FDI to support the closing of development and skills gaps in preparation for Industry 4.0.<sup>13</sup>



11 Oh, J. and Mah, J. (2017) Patterns of Korea's FDI in Viet Nam. Open Journal of Business and Management  
12 Statista, 2020. Value of foreign direct investment (FDI) inflow in Viet Nam in 2019, by province (in billion U.S. dollars), Viet Nam Insider, 2020. How foreign invested firms in Viet Nam contribute to local budgets  
13 At the 2020 Viet Nam Reform and Development Forum in Ha Noi in September, discussion focused on investment to ensure Viet Nam seized opportunities to improve its position in global value chains and drive digital transformation. Viet Nam Investment Review, 2020



Demographic dividends

Viet Nam’s population reached 98 million in 2020 and is expected to expand to 120 million by 2050. Seventy percent of the population is under 35 years of age with a life expectancy of 76 years. The high percentage of working-age adults will provide a positive demographic impetus to GDP growth for the foreseeable future. It will not begin to fade until then end of the 2030s.<sup>14</sup> However, the country is alert to the need to prepare for a rapidly ageing population from this point in terms of infrastructure, services and support.

Another important demographic consideration for investors is rapid urbanisation which will further concentrate income, wealth, and population by 2030. Viet Nam is less urbanised than other ASEAN economies but is fast catching up especially in the economic centres of Ha Noi and HCMC. This is creating transport and infrastructure challenges and driving interest in smart city and urban planning solutions.

Economic development has made domestic demand more important with a growing middle class, a young and productive population, and regional integration. The lowest-income class remains dominant, yet an affluent middle class is swelling. The latest data defines 36% of the population as in the middle-income group. The World Bank says Vietnamese disposable income and consumer expenditure per capita has increased at 6-7% annually from 2010 and was US\$2,500 in 2019. This is approaching the threshold where international retailers typically move to ensure a presence in the market. The recently announced five-year plan set a target of US\$4,700 for GDP per capita by 2025.<sup>15</sup>

The World Bank’s Viet Nam 2035 report forecasts that the middle class could increase to 50% of the population by 2035. Purchasing power is largely concentrated in the hands of the younger

generation and this has driven changing tastes and consumption patterns, opening new opportunities for business. A McKinsey report on Viet Nam’s retail sector highlighted three key trends: local consumers are increasingly loyal to brands - especially local brands; they prefer modern retail formats; and there is competition and consolidation under way, particularly in groceries.<sup>16</sup>

Environmental challenges

Environment and climate change issues pose some of the biggest challenges to Viet Nam’s economic development in the future with potential global implications.<sup>17</sup> Viet Nam is considered to be among the countries most affected by global climate change particularly through sea-level rise, salinity, flooding, erosion and sedimentation, affecting mainly the Red and Mekong River Deltas. The World Bank estimates that approximately 60% of the country’s land area and more than 70% of its population are at risk of climate-related hazards. The Mekong Delta, as the world’s second-largest rice production region, has been included in the top five regions most impacted by climate change.<sup>18</sup>

Viet Nam has also experienced significant environmental crises such as marine pollution (e.g. the fish poisoning crisis of 2016) and high levels of air pollution in the major cities. Substantial investment will be required to deal with environmental mitigation and climate changes challenges over the coming decade.<sup>19</sup>

Skills and education

The demand in Viet Nam for skills and education – including international education – remains high. Viet Nam’s school system has produced a high literacy rate and strong scores in the Organisation for Economic Co-operation and Development (OECD) assessments of student learning in reading, mathematics and science, outperforming peers and

even some developed economies.<sup>20</sup> However, there are shortfalls in the national tertiary system for vocational training and university degrees. While Viet Nam has scored strongly in the OECD assessments the student performance measurements, the demand for English, business and digital qualifications outstrips supply.

Digital economy

In the past 10 years, Viet Nam’s digital economy has developed significantly but the requirements of Industry 4.0 and technologically driven productivity still pose a challenge for the country’s competitiveness. The Government is prioritising investment in digital infrastructure, skills development, technology adoption in manufacturing and agriculture, and new technology sectors, to remain competitive and drive transformation.<sup>21</sup>

The digitally connected, young, and increasingly affluent population is eager to adopt and exploit new technologies. Vietnamese consumers are well served with broad internet access, largely through mobile devices, and active in e- and s-commerce.<sup>22</sup> Challenges include an incomplete legal framework, cyber-security, a shortage of high-quality Information and Communications Technology (ICT) personnel and digital literacy. The uptake of internet access largely through mobile technology in Viet Nam means that digital literacy is limited to basic internet and SMS functions for a significant proportion of the population.<sup>23</sup>

English language literacy remains a barrier for digital skills although the Vietnamese have higher levels of English competency than many Asian nations.

COVID-19 accelerated the digital transformation, spurring both Government and the private sector to increase the use of digital and social media channels. The Government has subsequently announced investments to upgrade digital infrastructure and

policies to advance e-government, e-commerce, and e-society but innovation networks in Viet Nam are currently small and very locally focused.<sup>24</sup>

The fastest-growing digital sectors have been financial technology, telecommunications, electronics and computer manufacturing, and ICT services, according to Data 61. Viet Nam’s cybersecurity capability has been increasing rapidly following adoption of digitally secure servers and domain registries, along with national cybersecurity training centres. Cybersecurity laws have been contentious requiring local data storage and raising concerns about privacy and data protection requirements.

DIGITAL CONNECTIVITY 2020

**52 million internet users**

MAINLY MOBILE (54% OF THE POPULATION)

PREDICTED TO REACH

**82m in 2025**

**Ranked 5th**

IN THE REGION FOR INTERNET ACCESS AFTER CHINA, INDIA, JAPAN, AND INDONESIA.

**Third-largest**

E-COMMERCE MARKET IN SE ASIA

**2018 e-commerce revenue approximately**

EIGHT BILLION U.S. DOLLARS

**Ranked 50th**

IN THE 2018 GLOBAL CYBERSECURITY INDEX JUMPING 50 PLACES IN 12 MONTHS. NOW 11TH IN THE ASIA PACIFIC REGION

**Plan to digitise**

50% OF BUSINESSES AND HAVE THE DIGITAL ECONOMY ACCOUNT FOR 5% OF GDP BY 2025

**ICT zones**

SUCH AS THE QUANG TRUNG SOFTWARE PARK IN HCMC, THE VIET NAM NET BRIDGE PARK IN HA NOI, AND THE DA NANG SOFTWARE PARK IN DA NANG CITY, WITH INFRASTRUCTURE SUCH AS WIRELESS AND HIGH SPEED INTERNET, CENTRES FOR TRAINING IN SOFTWARE DEVELOPMENT AND CYBERSECURITY, AND INCENTIVES AND CONCESSIONS FOR DOT.COM AND OTHER SOFTWARE INVESTORS.

14 General Office for Population and Family Planning, 2020.  
15 World Economic Forum, 2020. *The story of Viet Nam's economic miracle.*  
Asia Nikkei article *Viet Nam seeks 6.5% growth through to 2025 after missing 2020 growth goal*

16 McKinsey, 2019. *How companies can seize opportunity in Viet Nam’s growing retail market*  
17 Greg Earl, 2018. *Viet Nam’s quandary: red or green?* Lowy Institute. The Interpreter  
18 *Global Climate Risk Index 2020*  
19 GreenID, 2018. *Air Quality Report: Update on Status of Air Quality*

20 OECD PISA 2015  
21 The Diplomat, 2015. Viet Nam’s PISA surprise. CSIRO’s Data61 Viet Nam’s Future Digital Economy  
22 Boston Consulting Group, 2018. The Digital Revolution and Southeast Asian Consumers  
23 GSMA (2015) Mobile Internet Usage challenges in Asia – awareness, literacy and local content

24 McKinsey, 2019. The future of Asia: Asian flows and networks are defining the next phase of globalization



# AUSTRALIA AND VIET NAM

Melbourne, Australia, 'TRON' - Kevin Laminto





# AUSTRALIA AND VIET NAM

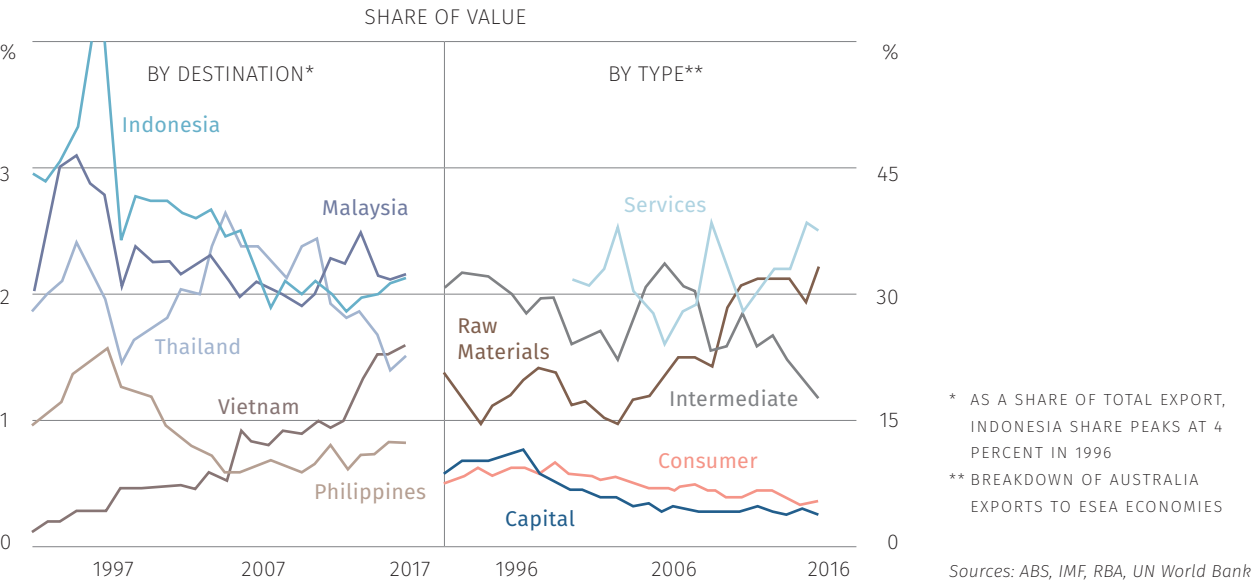


Bilateral economic engagement is well established, with trade and investment flows trending upwards. Viet Nam is one of Australia’s fastest-growing trade partners. Australia’s total two-way trade with Viet Nam in 2019-20 was valued at \$15.5 billion.<sup>25</sup> Nevertheless, while total exports from Australia to Viet Nam have grown by 12.2% over the last five years, this represented only 1.7% of Australia’s total exports in 2019-20.

Australia is Viet Nam’s 14th largest trading partner and Viet Nam is 14th largest for Australia.<sup>26</sup> The graph below shows the growth in Australian exports to Viet Nam in relation to exports to other ASEAN economies to 2016.<sup>27</sup>

Figure 1: Australian Exports to ASEAN 2016

### AUSTRALIAN EXPORT



25 DFAT, 2020. Viet Nam Country Brief 2020 <https://www.dfat.gov.au/geo/vietnam/Pages/vietnam-country-brief>

26 DFAT, 2020. Viet Nam Country Brief 2020 <https://www.dfat.gov.au/geo/vietnam/Pages/vietnam-country-brief>

27 M. Alston, I. Arsov, M. Bunney & P. Rickards, 2018. Developments in Emerging SE Asia. RBA Global Economy Bulletin

Trade patterns with Viet Nam differ across Australian states and territories. Coal and iron ore dominate exports from New South Wales (NSW), Queensland and Western Australia (WA). Non-ferrous metals (aluminium, copper, lead, and zinc) are top exports

from South Australia (SA) and Tasmania. Live animal exports dominate Queensland, WA, and NT exports. Agriculture and manufacturing are Victoria’s top export categories.

Table 1: Top Five Exports by Australian State to Viet Nam (2018-2019)

VIC	NSW	QLD	SA	WA	TAS	NT
057 Fruit & Nuts	321 Coal	321 Coal	682 Copper	281 Iron ores & concentrates	686 Zinc	001 Live animals (excl seafood)
682 Plastic plates, sheets & film	684 Aluminium	001 Live animals (excl seafood)	041 Wheat	041 Wheat	684 Aluminium	081 Animal feed
682 Medicaments	673 Uncoated flat-rolled iron & steel	282 Ferrous waste & scrap	685 Lead	282 Ferrous waste & scrap	034 Fish, f.c.f.	291 Crude animal matter
084 Cereal preparations	057 Fruit & Nuts	682 Copper	282 Ferrous waste & scrap	001 Live animals (excl seafood)	057 Fruit & Nuts	723 Civil Engineering equipment & parts
022 Milk, cream, whey & yoghurt	041 Wheat	011 Beef, f.c.f.	048 Cereal preparations	342 Liquefied propane & butane	022 Milk, cream, whey & yoghurt	872 Medical instruments

Source: DFAT<sup>28</sup>

While Australia and Viet Nam do not have a bilateral FTA, they are members of an increasingly dense web of regional trade agreements and forums. In terms of the bilateral relationship, the most consequential trade agreements are the 2018 CPTPP, the 2010 ASEAN-focussed AANZFTA that is currently under review and the recently signed RCEP.<sup>29</sup> Australia also engages with Viet Nam through multilateral groupings, for example, APEC, the East Asia Summit (EAS) and the Cairns Group. Australia supported Viet Nam assuming the important roles of the 2017 APEC Chair, the 2020 ASEAN Chair and non-permanent membership of the UN Security Council. Both countries have benefited from trade, investment, and regulatory reforms through these arrangements which have created business opportunities in each economy.

Investment between Australia and Viet Nam lags trade. FDI flows between Australia and Viet Nam have been quite low but have started to rise over the last few years. Australian companies were among the first foreign firms to invest in Viet Nam when it opened its economy. From 1994, for example, BHP invested in power, fertiliser, and steel industry projects in Viet Nam.<sup>30</sup> Annual Australian investment into Viet Nam has been more than US\$2 billion since 2017. This, however, accounts for less than 0.5% of Australian investment abroad and represents only 1.8% of FDI into Viet Nam.<sup>31</sup> The Australian Department of Foreign Affairs and Trade (DFAT) reported Australian business had invested a total of \$3.0 trillion by the end of 2019 and Australia was ranked the 17th-largest direct investor.<sup>32</sup>

30 Australian Financial Review, 1994, BHP in Viet Nam  
31 ABS, 2017. 5352.0 - International Investment Position, Australia: Supplementary Statistics. Viet Nam Ministry of Planning and Foreign Investment Agency, 2020. ABS, 2020. Australian Outward Foreign Affiliates Trade. Greg Earl, 2020. Australian business growth in Asia in the slow lane. ANZ Blue Notes. ABS, 2019. Counts of Australian Businesses, including Entries and Exits  
32 DFAT, 2019. Statistics on Where Australia Invests



### Australian aid and development activities

There is a long and solid history of Australian aid to Viet Nam, marked by large early projects such as the Telstra role in providing the country's first satellite for HCMC television in 1991-1993 while the US was still applying an embargo to Viet Nam. In 2020, Australia's official development assistance (ODA) included direct funding and funding to multilateral agencies such as the World Bank for projects that support Viet Nam's priority economic reforms.<sup>33</sup> Agricultural assistance is provided in more than 20 provinces anchored by the Australian Centre for International Agricultural Research (ACIAR). Various Australian NGOs under the Australian NGO Cooperation Program maintain smaller-scale projects in all provinces. DFAT reports that ODA is focused on enabling the private sector, through support to strengthen market institutions, infrastructure and skills.<sup>34</sup> Australian funding for major infrastructure projects such as the My Thuan and Cao Lanh Bridges are icons of the Australia and Viet Nam relationship. Beyond this, grants for public and private sector organisations, assistance to help water management or agricultural development and more recently, women's economic empowerment have built goodwill across the country.<sup>35</sup>

### Shared geo-political and geo-economic interests

Australia and Viet Nam both seek to reduce their economic over-reliance on China as a dominant trading partner and are committed to supporting the continuing presence and engagement of the US in the region as a balancing factor to an increasingly assertive China. They are equally open about their support for a rules-based security and economic order in Asia, continued trade liberalisation and the centrality of ASEAN in maintaining regional stability. Both governments have outward looking foreign policies and emphasise strengthening regional relations and multilateral coalitions of like-minded states (for example, with Japan, India, and Korea) based on shared economic and security interests.

<sup>33</sup> Ministry of Planning and Investment & the World Bank, 2015. *Viet Nam 2035 Report*. DFAT 2019. *Enabling and Engaging the Private Sector for Development*.

<sup>34</sup> DFAT, 2019. *Aid for trade*

<sup>35</sup> DFAT, 2019. *Aid for trade: E-commerce aid for Trade Fund*

### Inter-government case study:

## VICTORIA AND VIET NAM



*The State of Victoria is an important trade and investment partner for Viet Nam and sees the country as a standout growth market in the region. In 2018 Viet Nam was Victoria's 13th largest trading partner and the two-way trade relationship was valued at \$2.3 billion. The key components are education and travel services, agricultural commodities (horticultural fruit and nuts, dairy, cereals, meat) and manufactured goods, including plastics and medicaments.*

*Fruit and nuts dominate Victoria's food and fibre exports to Viet Nam worth \$139 million in 2018-19, followed by grain (\$64m), dairy (\$58m) and forest products-waste paper (\$44m). Viet Nam is a growing market for table grapes, citrus, cherries, and nuts and imports have commenced to Victoria of selected exotic fruits. Victorian producers benefit from efficient port and transport infrastructure and a possible source of technology transfer for post-harvest management technologies.*



*In 2019 Viet Nam was Victoria's fourth largest source market (5.2%) for international students and the State says more than 40% of all Vietnamese students in Australia come to Victoria. The State's international education services sector includes on-shore and in-market offerings, alongside on-line distance provision of courses, qualifications, and professional training. This is a burgeoning area in the COVID-19 environment and is likely to remain popular until normal patterns resume.*

*In 2019, more than 13,000 Vietnamese students enrolled in a Victorian school, TAFE, college or university, generating export revenue, supporting skilled jobs and creating a growing alumni of well-disposed Vietnamese citizens, who are possible future leaders in a fast-maturing growth economy. In one example, Victoria University estimates its Vietnamese based alumni at nearly 3,000 from delivery of postgraduate studies for Teaching English To Speakers of Other Languages (TESOL) and exchanges in partnership with Ha Noi University since 1996.*

*Victorian entities in Viet Nam include RMIT University for over two decades (see RMIT case study); Swinburne University more recently; and Linfox, which operates nine sites in Viet Nam with cutting-edge logistics technology, warehousing, and transport solutions. Chisholm Institute and Box Hill Institute have also established a significant presence for vocational education training and teacher training.*

*Victoria has the second-largest Vietnamese community in Australia with more than 200,000 diaspora members, many of whom are engaged with their country of origin.*

*Victoria has been actively exploring economic possibilities, conducting government-to-government and business-to-business interactions, including recent missions around energy, education, urban development, food and beverages, water management, and professional services. There are also nascent connections between Victoria and Viet Nam's start-up eco-systems and participants. Victoria values engagement with Viet Nam, with regular mission support and high-level engagement. In 2019 Premier Andrews led a high-level delegation to Viet Nam and announced the opening of a new Trade and Investment Office in HCMC from 2020.*



# OPPORTUNITIES IN VIET NAM





# OPPORTUNITIES IN VIET NAM

now and into the medium term. The country's rapid evolution will continue creating further opportunities as the economy and consumption matures.

There are opportunities to increase trade in certain goods where Australia has proven export capacity and readiness to meet demand in Viet Nam.

There are also opportunities to increase the value-add contribution of Australian content in Viet Nam's exports of manufactured products.

There are also key opportunities to increase services trade in existing and new areas, particularly around education, health, insurance, and environmental services. Both governments have prioritised these sectors under the expanding bilateral economic framework.

Investment opportunities exist across the manufacturing, agriculture, services and resources sectors and there are increasing market opportunities in relation to Viet Nam's digital transformation.

This chapter looks at some of the trade and investment opportunities in resources, agriculture, manufacturing, and services. Some of these sectors have been prioritised for growth under the expanding bilateral economic framework.

The drivers of growth in Viet Nam create attractive conditions and opportunities for Australian business in the post COVID-19 environment. There is scope for manufacturing, agriculture, resources, and services firms to expand engagement with Viet Nam,

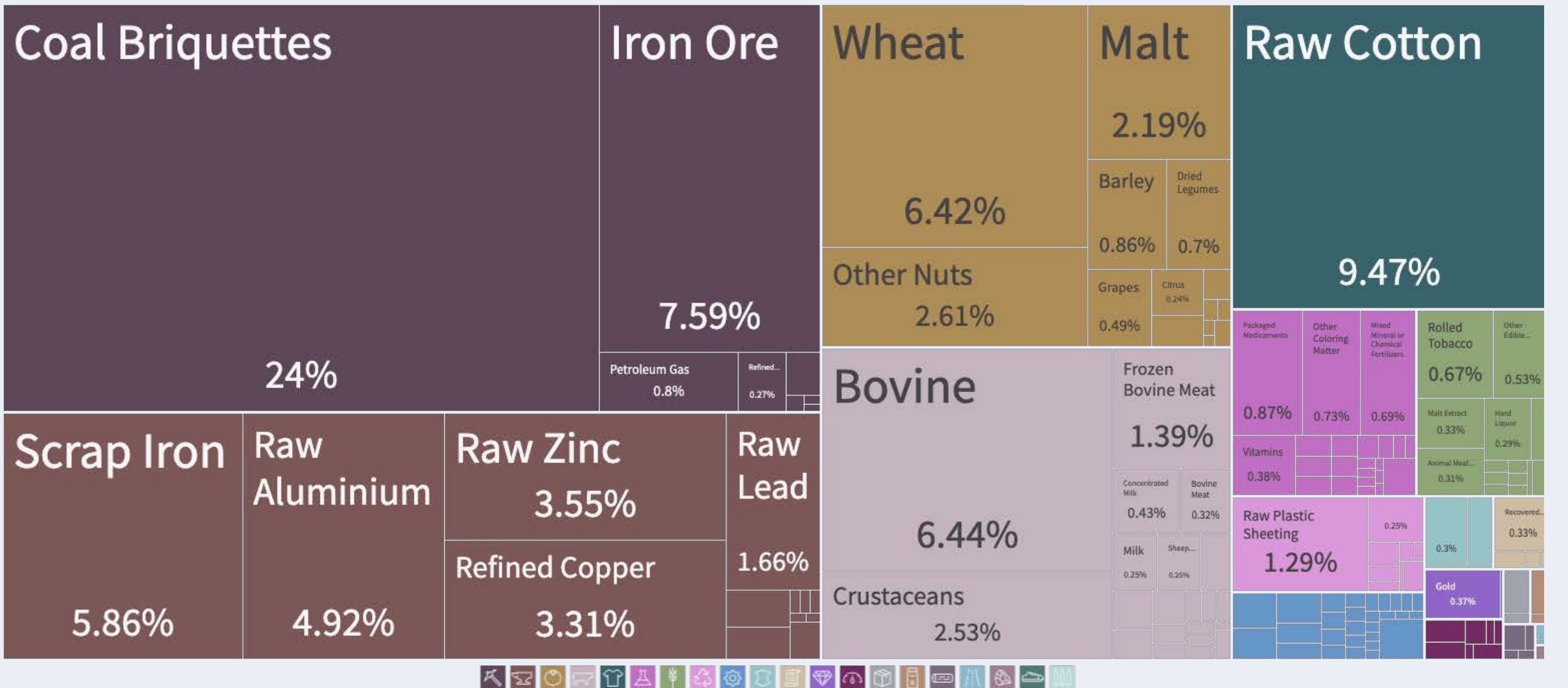


## Key Opportunities for Goods

**Table 2: Australian Exports to Viet Nam (2018)**

## WHAT DOES VIETNAM IMPORT FROM AUSTRALIA? (2018)

TOTAL \$3.65B





Viet Nam’s top merchandise imports from Australia include coal, iron ore, cotton, live animals, scrap iron, wheat, aluminium, copper, zinc, fruit, and nuts. The proportion of raw materials in the trade flows has steadily increased this century and now represents around half of all Australian merchandise exports.<sup>36</sup>

This study sought to identify key export opportunities based on an analysis of Australian export readiness, Viet Nam’s trade and investment policy framework and Viet Nam’s domestic market potential.

Table 3: Opportunity Map: Selected Australian Goods to Viet Nam

Goods/ Services	Export	Australian Export Readiness		Viet Nam’s Trade and Investment framework		Viet Nam’s Market potential
		Export growth	Australian capability	Trade barriers	Investment controls	
Goods	Beef/live cattle	High	High	Medium	Medium	High
	Wheat	Low	High	Low	Medium	Medium
	Grains — Barley	High				
	Cotton	Medium	Medium	Low	Low	Medium
	Horticulture	High	High	Medium	Low	High
	Processed food	Medium	Medium	Low	Low	High

Source: Analysis prepared by Kristen Bondietti, Jon Berry and Khalil Hegarty

Our analysis reveals that there is opportunity to expand Australia’s exports of beef and live cattle, grains (wheat and barley), cotton, horticulture (almonds, raisins, oranges, and broad beans) and processed foods.

Australia has global capability as a producer and manufacturer of these products, is already a significant or growing exporter, and in some product categories benefits from market access advantages over its competitors from existing FTA arrangements with Viet Nam (Table 4). Areas where Australian goods enjoy a current advantage under CPTPP and ANZFTA in terms of regulatory requirements are identified in the annex of this report.

Table 4: Comparison of Market Access tariffs growing under Viet Nam’s Various Trade Agreements

Product	HS Code	MFN (applied)	CPTPP	AANZFTA	ATIGA	EVFTA
Beef Boneless chilled	20130	14%	0%	0%	0%	0%
Beef Boneless frozen	20230	14%	0%	0%	0%	0%
Live cattle	0102	3%	0%	0%	0%	0%
Wheat	1001	5%	0%	0%	0%	0%
Barley	1003	0%	0%	0%	0%	0%
Cotton	5201	0%	0%	0%	0%	0%
Raisins	80620	13%	0%	0%	0%	0%
Almonds	80211	15%	0%	0%	0%	0%
Broad beans	71350	10%	0%	0%	0%	0%
Oranges	80510	20%	7%	0%	0%	0%
Infant formula	190110	11%	3%	0%	0%	4.5%
Health supplements	210690/ 300450	0-16%	0-6%	0%	0%	0%

Sources: WTO WITS database; DFAT FTA Portal; tariff schedules for WTO Most Favoured Nation (MFN), ASEAN Trade in Goods Agreement (ATIGA) and EU-Vietnam Trade Agreement (EVFTA)

Australia’s exports can also grow as inputs to Viet Nam’s manufacturing value chains, servicing trade throughout the region. Opportunities for Australian exporters can be found among the web of small and large manufacturing companies based in Viet Nam that produce a growing share of world goods exports. Final products contain inputs from multiple firms in multiple countries, and inputs cross borders multiple times during production. Viet Nam manufacturers rely heavily on foreign-sourced inputs in a range of sectors including textiles, clothing, and footwear (imported textiles), electronics (various inputs), pharmaceutical (materials and actives), and plastics (various inputs).<sup>37</sup>

37 Smart Sourcing, 2019. Manufacturing in Viet Nam: 4 key factors for moving from China

Trade opportunities for Australia are supported by policy settings in Viet Nam that are generally encouraging of foreign investment to advance the country’s position as a major regional trader. Annex A1 provides further analysis of export trends, market access advantages, and market potential for these goods.

Australia’s exports show that firms are already participating in value chains to which Viet Nam belongs. When semi-processed metals and fibre are shipped from Australia, it is likely they are being sourced by Vietnamese factories as inputs for final products, many of which are exported again for sale. According to the OECD Trade in Value Added database, in 2015 (the most recent year covered), almost one percent of Viet Nam’s total export value of US\$165 billion – or more than US\$1.3 billion - consisted of value added by Australian firms.

Regional value chains rely on coordination between geographically dispersed firms. This cooperation is aided by cross-investment and builds opportunities for more specialisation and greater economies of scale. Australia can further tap into the regional value chains that Viet Nam has built and continues to develop. It is partly due to this that the International Trade Centre (ITC) identifies a set of semi-processed intermediate products Australia exports to Viet Nam – including zinc, refined lead, copper cathodes and uncared cotton – as having significant potential for growth.<sup>38</sup>

The opportunities in modern agribusiness and processed food in Viet Nam are also increasing. The country’s large agricultural base has significant potential for modernisation to meet both local and export demand. There are significant opportunities for Australian business to introduce inputs, expertise, knowledge, or processes that facilitate efficiency.<sup>39</sup>

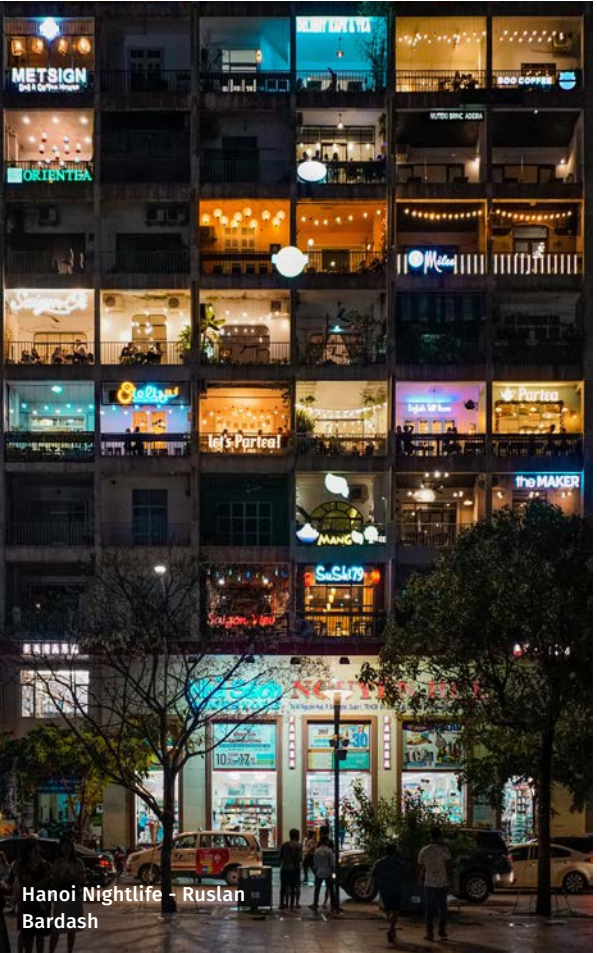
Examples of Australian firms operating in the agricultural sector include:

- SunRice (see case study)
- WA's grain co-operative, the CBH Group, Australia's largest grain-exporting company. It first invested in Viet Nam in 2005 to underwrite grain exports by launching a joint venture (Interflour) with Indonesian food conglomerate, Salim Group in grain-processing plants. Interflour can choose to purchase grain from around the world and sources 60-70% of its wheat from Australia. In 2017, the company also opened a US\$70 million malting plant in Cai Mep, near HCMC, to supply Viet Nam's drinks industry and directly connect Western Australia's barley growers to the fastest-growing beer market in Asia.
- In 2008, a group of Australian investors purchased VN Futuremilk Co. Ltd which operates a 1,500-cow dairy located in Son Duong, Tuyen Quang Province, about 100km northeast of Ha Noi. The new company was modernised adopting leading technology and practices and is a prime dairy producer in the region.

38 OECD TiVA database  
39 Viet Nam Insider, 2018. Sectoral Opportunities in Viet Nam

Examples of Australian firms operating in the manufacturing sector include:

- BlueScope Steel opened its first roll-forming factory in Dong Nai Province in 1993. It is now one of Australia’s largest investors in Viet Nam, with an additional rolling mill, a steel roofing and metallic coating and painting facility in Ba Ria-Vung Tau Province, and engineering consulting services for Viet Nam’s fast-growing construction industry.
- QLM Label Makers is a Queensland-based firm which acquired Hoang Ha Label Co., Ltd in HCMC and now supplies domestic, ASEAN and Australian markets.
- Austal Viet Nam opened in 2018 to build high speed catamaran ferry vessels for global customers. It has a state-of-the art shipyard in Vung Tau, with design and fabrication teams supported by Austal Australia.



36 DFAT, 2020. Composition of Trade Australia 2018-2019



## Agriculture case study:

## SUNRICE

**SunRice is an Australian food**

**company** with 30 major brands in 50 countries. Born in 1950 as a farmer owned co-operative in the Riverina

region of NSW, SunRice now has an annual turnover of \$1.13 billion. It has operations spanning Australia, New Zealand, PNG and the Pacific Islands, the Middle East, United States, and much of Asia including Viet Nam.

Since 2005, SunRice has looked for international sources of rice to meet demand in target markets as a hedge against volatility in Australian supply. Early engagement with Californian rice growers provided a temperate climate supply source. From there, the need remained to identify a source for tropical grown varieties of rice popular with Asian consumers.

SunRice assessed 25 countries across a range of economic, climatic and institutional indicators and chose to focus on five Asian markets from which it could source. Viet Nam was deemed the most promising due to minimal international competition, cost competitiveness and opportunities for growth. A modest trading relationship quickly grew and at times SunRice has accounted for more than 5% of all Vietnamese rice exports, and more than 50% of Japonica-style rice exports.

Critical to this success were several visits made by SunRice executives and agronomic specialists to the growing regions in Viet Nam where they met with farmers, commercial partners, advisors and officials to get a better feel for the market on the ground. A representative office of SunRice's Singapore subsidiary was also set up to provide further agronomic and market analysis and stakeholder engagement. SunRice was also encouraged by recent policy developments in Viet Nam allowing 100% foreign ownership of joint stock companies;

accession to international treaties that protect plant breeders rights; and national government prioritisation of agricultural development.

Responding to commercial imperatives in 2018, SunRice decided to invest in local milling capacity. Due diligence included consultations with the local branches of KPMG, and Freshfields, the Australian Government's posts in Ha Noi and Ho Chi Minh City, and commissioned research from IFC to understand the complex web of local suppliers.

Considerable attention was given to the location, condition and characteristics of mills prior to purchase. High-level teams visited over 20 mills across 6 provinces, continuing to engage with a range of local stakeholders. The ultimate business model for the mill was developed iteratively on the ground rather than from a rigid plan developed off-shore. The investment in the mill at Lap Vo District in Dong Thap Province was well-received in terms of its potential to bring in advanced production know-how linked to agronomic expertise which combined could upskill, upscale, and improve the reputation and quality of Vietnamese rice exports.

When faced with regulatory uncertainty on its journey, SunRice was able to leverage its established relationships with advisors, suppliers and local authorities to help navigate uncharted territory. A consistent record of sourcing from Viet Nam along with a demonstrated commitment to a long-term investment horizon and local varietal development through breeding programs helped equip allies to support their cause.

SunRice is a successful example of Australian IP and expertise cross-fertilised with Vietnamese market conditions to deliver mutually beneficial outcomes. The future is bright for SunRice in Viet Nam with possibilities of further expansion.



## Key Opportunities in Resources

Minerals and basic metals are and will continue to be in demand as inputs to Viet Nam-based manufacturing and production. In 2018-2019, coal exports grew by 139.6%. Aluminium, copper, and zinc have had more mixed fortunes with aluminium falling by 34%. A recent report by the Minerals Council of Australia (MCA) flagged Viet Nam as a lead ASEAN economy that will underpin demand for Australian minerals, metals and semi-finished products of iron and steel as industrial inputs.

Commodity trading and export remains the most straightforward option for Australian mining technology and service (METS) companies. However, the report noted that potential opportunities for METS firms for investment would continue to grow driven by rapid industrialisation and urbanisation, as exploration and commissioning of resource projects increased and as State controls and restrictions were eased.<sup>40</sup> Viet Nam is a developing METS market dominated by Vinacomin (Viet Nam National Coal and Mineral Industries Group) which controls most exploitation and processing activities in-country.

Resource related FDI in Viet Nam has increased in recent years but requires management of significant challenges including uncertain policy settings, central approvals, and border and behind the border barriers to entry. Australian companies have already contributed to resource and METS investment and the view in-country is that opportunities are growing for globally competitive METS firms. These opportunities are in survey, training, exploration, processing, mining IT, construction, information systems and environmental services.

A report by the MCA concludes that “Viet Nam is a difficult market characterised by a mixture of abundant business opportunities, opacity and corruption, weak corporate governance, red tape, precarious protection of intellectual property, and uncertain judicial processes.” It finds that while these challenges apply equally to domestic and foreign firms, the business environment is improving and promises to improve further.

Examples of Australian firms operating the resource sector include:

- IMR Mining Maintenance and Relining: a Queensland company operating in seven countries that specialises in the maintenance of mining mills – essential facilities that grind mineral resources as part of on-site processing. IMR undertook the refurbishment of the Nui Phao mine near Ha Noi.<sup>41</sup>
- Blackstone Minerals completed feasibility work on a shuttered nickel and copper mine in Son La Province, Northern Viet Nam, and downstream processing for the battery metals sector, signing MOUs with Ecopro for high-grade nickel sulphate for electric vehicle battery cathode production.<sup>42</sup>

<sup>40</sup> Minerals Council Australia and Trading Nation Consulting, 2020. *New Frontiers: ASEAN*

<sup>41</sup> International Mill Relines (IMR) website

<sup>42</sup> Blackstone Minerals website, 2020. *Projects: Viet Nam*



Key Opportunities for Services

Viet Nam was Australia’s 13th largest services export market, worth \$1.7 billion in 2018.<sup>43</sup> Almost 80% of these exports are in education-related travel. In 2019, almost 32,000 Vietnamese nationals were enrolled in Australian universities.<sup>44</sup> COVID-19-related border control measures and lockdowns have brought tourism and education-related travel to a halt.

However, student enrolments into Australia only dipped by three percent in June 2020 compared to the same period in 2019.<sup>45</sup> Other current services exports include transport (\$59 million), personal cultural services (\$22 million), ICT and computer services (\$13 million) and other business services (\$10 million). Insurance, pension, and financial services are smaller at \$3 million.<sup>46</sup>

Our analysis has found that there is opportunity to expand Australia’s export of services in the education, ICT, insurance, environmental and health sectors. These services, although currently small, have experienced significant growth in recent years and face relatively few negative trade and investment policy measures.

Table 5: Opportunity Map: Selected Australian Services to Viet Nam

Goods/ Services	Export	Australian Export Readiness		Viet Nam's Trade and Investment framework		Viet Nam's Market potential
		Export growth	Australian capability	Trade barriers	Investment controls	
Services	Education	High	High	Medium	Low	Medium
	ICT	High	High	Low*	Low	High
	Insurance and pension	High	High	Medium/High	Low/Medium	High
	Environmental	Medium	Low/Medium	Low	Low	High
	Health	Medium	Medium	Low	Low	High

Note: \* Restrictions on e-commerce may additionally impact on ICT services delivery  
Source: Analysis prepared by Kristen Bondietti, Jon Berry and Khalil Hegarty

43 DFAT 2018. *Trade in Services: Australia 2018*  
44 DESE 2019. *End of Year Summary of International Student Data 2019*

45 DESE 2020. *June 2020: International Student Data*  
46 ABS Cat 5368.0.55.004 - *International Trade: Supplementary Information, Calendar Year, 2019*

Australia has capability in these areas of export growth. According to the OECD, Australia has a global comparative advantage in education services. At the regional level, Australia also has a comparative advantage in the Asia-Pacific across some sectors, including insurance services, information and computers and other business services. A strong area of Australian comparative advantage is related to research and development (R&D) in the health and biotech sectors.<sup>47</sup>

Australian exporters benefit from advantages under CPTPP, Viet Nam’s increasingly open trade and investment policy settings and market demand for quality services. Greater Australian participation in Viet Nam’s expanding services sectors offer opportunities to support the growth of Australia’s services exports and Viet Nam’s economy.

Australia’s FTAs with Viet Nam provide Australian exporters with access advantages over some major competitors. Advantages are evident in education, ICT, health, insurance, and environmental services. Major competitors span the Asia Pacific and the EU – including Singapore, Japan, the EU, the US, as well as China and Korea.<sup>48</sup>

The CPTPP accords Australia, as well as other CPTPP members (Japan, Singapore, Canada and NZ) significant access advantages vis-à-vis the US, which is not a member of CPTPP, and to a lesser extent China and Korea, which have older and less comprehensive FTAs with Viet Nam, including regional agreements. The EU generally benefits from equivalent access under its recent bilateral FTA with Viet Nam (EVFTA).

47 OECD, 2018. *Australian Services Trade in the Global Economy*  
48 Of Viet Nam’s total services imports of USD18.7b, major service suppliers to Viet Nam are Singapore 3.7b (2018); Japan 2.902 (2018); EU 2.86b (2018); US 2.49b (2019), as well as China and Korea. Source: OECD EBOPS 2010, Trade in services by partner economy, except for Singapore which is based on Department of Statistics Singapore.

Viet Nam’s demand for high-quality services is growing alongside its population and economy. The Government has committed significant public expenditure to support growth in services across the economy including in public health, environmental management, education, insurance, and ICT sectors. The Government’s policy settings generally encourage foreign investment and partnerships with government, including in areas of Australian export capability.

Regulatory policy settings on services in Viet Nam are generally open, particularly when compared with other ASEAN economies (except perhaps Singapore) and towards CPTPP partners including Australia.<sup>49</sup> However, some regulatory barriers to Australian services exporters remain. The incidence of barriers varies by both service industry and type of barrier. Some examples of key measures affecting Australian services exports to Viet Nam are indicated in Table 6 on the following page.

Examples of Australian entities operating in the health sector are:

- Icon Cancer Care, Australia’s largest private provider of cancer care, has agreements with Viet Nam’s National Cancer Hospital (K Hospital) in Ha Noi and the Vinmec International Hospital and Military 175 in HCMC to develop large scale cancer care infrastructure, manage medical oncology and radiation oncology services, and implement international standards and technologies to deliver remote care.<sup>50</sup>

49 Based on scope and extent of commitments in FTAs.  
50 ICON Group Global, 2020. *Cancer Services – Viet Nam*. <https://icongroup.global/>



Table 6: Snapshot of measures impacting on Australian services exports to Viet Nam

Category of measure/	Education	ICT	Insurance & pension	Environment	Health
Cross-border delivery	Viet Nam retains a right to restrict access to services delivery (e.g. online courses).	Fully open to Australian providers for computer services.	Pilot testing is commonly required for new insurance services.	Fully open to Australian providers for consultancy services.	Access for hospital services and other human health services but not for social services.
Scope of services supplied	Limits on fields of study; curricula approvals; equivalency quality assurance and accreditation requirements apply.	Online content restrictions apply to offshore internet service providers.	Foreign natural persons may not supply insurance agency services.	Access to certain geographic areas may be restricted for national security reasons.	Viet Nam retains a right to limit the delivery of social services.
Establishment and form of investment	Open to foreign investment – wholly Australian owned campuses may be established, subject to limits on land ownership and use (all sectors).	Foreign investment for supply of value- add telecoms services must be in the form of joint ventures.	Partnerships and sole proprietorships are generally not acceptable for financial institutions. Controls on branching apply.	Some business activities must be in the form of build-operate-transfer (BOT) and build-transfer-operate (BTO).	Fully foreign owned hospitals and clinics can be established, but human health services or social services may be restricted.
Licensing and qualification requirements	Foreign teachers require at least 3 years of teaching experience and have their qualifications recognized by the competent authority.	Licensing and registration apply for online social networks, general information websites, mobile telecoms network-based services, some online games services.	Specific conditions apply for an operating licence including minimum years of experience, value of total assets and making of profits.	Standards and/ or licensing requirements may apply as per Vietnamese providers.	Hospital and advisory suppliers may be subject to licensing requirements.
Temporary entry of personnel	Entry permitted for certain categories of workers, including contractual service suppliers of educational services.	Entry permitted for certain categories of workers including contractual service suppliers for computer and related services.	Temporary entry permitted for certain categories of workers. Specialist staff can be transferred to offshore branches for extended periods.	Entry permitted for certain categories of workers including contractual service suppliers for environmental services.	Entry permitted for contractual services suppliers for hospital services and other human health services, but not covering social services.

Note: This table provides examples of some of the measures impacting on Australian providers supplying services to Viet Nam. It is not exhaustive.  
Source: Prepared by Kristen Bondietti, Jon Berry and Khalil Hegarty

- NSW-based Cerebral Palsy Alliance (CPA) has been leading care and research for cerebral palsy and other neurological disorders. When CPA began to expand into Asia, Viet Nam was a prime opportunity based on people-to-people links and an assessment of need. CPA has helped set up the first cerebral palsy register in Viet Nam, hospital-based protocols for surveillance of cerebral palsy, and Vietnamese population studies focused on cerebral palsy.<sup>51</sup>

51 Austrade, 2019. Cerebral Palsy Alliance in Viet Nam

- VIETRAD is an Australian online platform that uses machine learning technology to test, monitor and improve radiologic diagnosis of breast cancer that is used in Viet Nam to upskill radiologists and increase early breast cancer detection.<sup>52</sup>

52 Australian Embassy Viet Nam, 2020. Media release: Australia provides new tech platform to transform breast cancer detection in Viet Nam

Key Opportunities for Investment

Viet Nam is a promising market for company investment as a densely populated, developing, and urbanising country which is transitioning to an industrial and market-based economy through trade and investment and making great strides to position itself for Industry 4.0. Australia is currently a relatively small investor, but stock has doubled since 2015 and is growing faster than Australian investment into other ASEAN economies. Most of Australia’s investment in Viet Nam is in manufacturing (47%) with lower levels in hospitality (8.1%), construction/real estate (7.1%), agribusiness (6.4%) and healthcare (6%).<sup>53</sup>

The FDI regime in Viet Nam is relatively open to foreign participation and the regulatory restrictiveness varies between sectors. Broadly, the most restricted sectors are maritime, communications and fixed and mobile telecoms. The least restricted sectors are manufacturing, construction, engineering, and architectural services.<sup>54</sup> Manufacturing opportunities are numerous in Viet Nam and have been less explored by Australian companies than those from other economies. Compared to its regional peers in terms of FDI regulatory restrictiveness, Viet Nam outperforms Thailand, Malaysia, Indonesia, Laos, and the Philippines, as well as China and New Zealand, and is on par with Korea and Australia.

Viet Nam has historically had some state-owned entities with monopolies in particular sectors, some of which continue to operate. Notably, under the CPTPP agreement Viet Nam has committed to providing member countries with a level playing field for their companies competing with state-owned enterprises and ensure any state-designated monopolies do not abuse their market power.<sup>55</sup> Viet

53 Department of Foreign Affairs and Trade (2019). CPTPP: Australia’s Growing Investment in Viet Nam. Commonwealth of Australia, Canberra. <https://VietNam.embassy.gov.au/files/hnoi/CPTPP%20Booklet%20-%20Investment%20Export%20191205.pdf>  
54 OECD (2020), FDI restrictiveness (indicator). doi: 10.1787/c176b7fa-en (Accessed on 19 October 2020)  
55 <https://www.enterprisesg.gov.sg/-/media/ESG/Files/Non-Financial-Assistance/For-Companies/Free-Trade-Agreements/CPTPP/Annex-IV-State-Owned-Enterprises-and-Designated-Monopolies-Non-Conforming-Measures/AnnexIVVietNam.pdf>

Nam has also introduced legislation to equitise and divest SOEs and monopolies and ensure that SOEs are offered limited state preferences.<sup>56</sup> Some such state-designated monopoly exceptions include shipbuilding, coal and electricity generation, defence and some aspects of asset management under the country’s sovereign wealth fund.

The CPTPP provides preferential access for Australian firms to invest in Viet Nam. It has the most liberal conditions for any foreign investors in Viet Nam and these conditions are also available to other CPTPP members, including two of Viet Nam’s largest investors, Japan, and Singapore. The AANZFTA is more limited in coverage of investment.

Under the CPTPP, there are approximately 31 sub-sectors in which conditions are placed on foreign investors. For the most part these are not blanket exceptions, but generally equity limits and/ or requirements for a joint venture to be covered under the trade agreement. This is significantly less than the 267 different sub-sectors under Viet Nam’s obligations under its WTO commitment; and approximately 53 under the ASEAN Comprehensive Investment Agreement which are restricted to foreign investors in some way.<sup>57</sup>

In June 2020, the Government passed an amended Law on Investment (LOI), which will streamline a number of conditions for foreign investors.<sup>58</sup> Preferential market access currently given to CPTPP members or other parties may be eroded when the new law is in effect on January 2021.

56 <https://www.vir.com.vn/soe-divestment-a-priority-in-cptpp-era-65586.html>  
57 ASEAN Member States. Schedule to the ASEAN Comprehensive Investment Agreement: Vietnam. Jakarta: ASEAN Secretariat. Accessed at [https://www.asean.org/wp-content/uploads/images/2012/Economic/AIA/Agreement/Viet%20Nam%20Rsv%20List%20\(Final%201982010\).pdf](https://www.asean.org/wp-content/uploads/images/2012/Economic/AIA/Agreement/Viet%20Nam%20Rsv%20List%20(Final%201982010).pdf)  
58 Socialist Republic of Viet Nam. Law on Investment No. 61/2020/QH14 dated June 17, 2020 of the National Assembly. Accessed at <https://english.luatvietnam.vn/aw-on-investment-no-61-2020-qh14-dated-june-17-2020-of-the-national-assembly-186270-Doc1.html>



The Central Government is promoting some incentives for investments in different sectors. These are oriented towards securing investment in technology and manufacturing, with a broader view to boost Viet Nam’s export capability. These have been identified in broader industrial development policies, as well as specific regulations.<sup>59</sup> Tax incentives are also offered in specific provincial areas.

Incentives include: preferential duration of corporate income tax (CIT) exemption (tax holiday), CIT reduction, preferential CIT rates, exemption or reduction of import tax on goods imported as fixed assets, raw materials, supplies, and parts used for the project, and exemption or reduction of land rental and land use tax. Sector-specific investment policy settings and incentives are detailed in Table 7.

Table 7: Investment Policy and Incentives by Sector

Sector	Policies and incentives
Agriculture	Investment incentives apply for the production and processing of animal feeds, as well as the construction and upgrade of slaughterhouses.  Increased assistance for textile support industries. Local governments are encouraged to provide support.
Processed food	Food processing is a major focus for the 2025 strategy; technology related to food-related production chains is tax exempt; investors receive lower taxation rates and prioritised projects are tax exempt for four years. Special investment incentives are offered for agricultural processing, and to produce medicinal ingredients and essential medicines, medicines for prevention and treatment of sexually transmitted diseases, vaccines, biological, herbal medicines, oriental medicines.
Education	Since 2000, the Government has committed approximately 15-20% of public expenditure on education. In 2018 it introduced Decree 86, to streamline investment in the foreign education sector. Investment incentives are provided for the operation of infrastructure for educational institutions, and the development of private educational institutions, including vocational training.
Information & Communications Technology	The Government has identified ICT as a key sector contributing to the country’s development and has devised a Master Plan for Information Technology, which specifies targets for fostering an advanced ICT country. <sup>61</sup> The Government also provides specific tax incentives for the technology sector, including for businesses operating in certain provinces or economic/industrial zones and associated infrastructure.
Insurance	The Government undertook liberalisation of the insurance sector from 2011, and the sector is currently open, with some international players active in the market. There are no specific investment incentives for the sector.
Environmental services	Many provincial governments, particularly urban areas, offer incentives for investment in waste management and other environmental services to encourage foreign investment. At the national level, special tax incentives are also provided for a wide range of services, including waste collection, water plant, supply, and drainage development.
Health	The healthcare sector and associated investments (e.g. digital health) are generally open to foreign participation. The revised LOI contains specific investment incentives for healthcare, including preferred enterprise income tax, exemption or reduction of land lease fee, and credit support. Healthcare expenditure is expected to triple over the next decade. The Ministry of Information and Communications has launched a telemedicine initiative. Special incentives for investment in geriatric centres, psychiatry centres, treatment centres of dioxin patients, centres for caring elders, the disabled, orphans, and homeless children.


Source: Prepared by Kristen Bondietti, Jon Berry and Khalil Hegarty

59 The Investment Law issued by the National Assembly, effective from July 1, 2015; Decree No.118/2015/ND-CP issued by the government, effective from December 27, 2015; and Circular No.83/2016/TT-BTC issued by the Ministry of Finance, effective from August 1, 2016

60 Austrade [https://www.austrade.gov.au/australian/export/export-markets/countries/Viet Nam/industries/ICT](https://www.austrade.gov.au/australian/export/export-markets/countries/Viet%20Nam/industries/ICT)

Financial Services case study:

ANZ

 *ANZ has a long history in Viet Nam, dating back to the early 1990s.*  
  
*In 1993, it was one of the first foreign banks to open a branch in Viet Nam, and in 2008 was granted a banking license to operate a fully foreign-owned bank in the country.*

*It had a prominent retail and small to medium-sized enterprise banking business which grew from 28 employees to 550 across eight branches in Ha Noi and HCMC, serving 125,000 customers.*

*ANZ was the biggest Australian investor in Viet Nam, until 2017 when the bank sold its retail and SME business to concentrate on its institutional banking franchise.*

*The move has helped ANZ capitalise on the burgeoning demand for financial services and products from companies moving goods and capital across the region.*

*ANZ operates in 33 markets around the world, including 14 markets in Asia. Recent disruptions from geopolitical tensions and ongoing supply chain relocation to Viet Nam as global companies diversify their risk have further increased demand and opportunity.*

*Today, ANZ Viet Nam offers a full range of banking services to multinational corporations, large local*



*corporations, and financial institutions. Services offered include corporate finance, foreign exchange and interest rate risk management, transaction banking and trade finance.*

*ANZ Viet Nam plays an essential role in the Bank’s wider strategy, connecting customers with each other, across the region and into its home markets of Australia and New Zealand.*

*The future is promising for ANZ in Viet Nam. In the short term, the Government’s exceptional response to managing COVID-19 has enabled the country to achieve the strongest economic recovery in the region.*

*Over the medium to long term, Viet Nam’s favourable demographics, stable political system and commitment to open trade will continue to create opportunities for banking and advisory services.*



Key Opportunities in Industry 4.0

New market opportunities are now emerging in relation to Viet Nam’s digital transformation and consumption to realise the benefits of Industry 4.0, the automation of traditional manufacturing and industrial processes.

The internet was introduced to Viet Nam in the mid-1990s. Its e-commerce adoption rates are amongst the highest in the world. Consumers are readily using the internet to purchase goods and services online. The value of online consumer goods purchases in Viet Nam is spread across multiple categories including fashion, cosmetics, furniture, electronics, travel, food, and entertainment. Cross-border e-commerce is also strong and growing quickly.

Both the B2B and the B2C markets offer opportunities for Australian firms, including micro and SME suppliers. Online, as in the physical retail space, there is considerable cachet and reputational advantage for Australian goods as being safe, high quality and reliable. Baby products, food, vitamins, and supplements are popular foreign goods that are bought online. It is possible to market to Vietnamese consumers from a branded website however most suppliers sell through a local marketplace such as Shopee Viet Nam, Sendo, Tiki, and Lazada or Western e-commerce portals that also market to the vast potential customer base and can manage cross-border sales.<sup>61</sup>

The burgeoning digital economy has created opportunities for companies involved in the logistics sector that enables e-commerce to flourish, for IT service providers around e-commerce development and e-commerce payment systems.<sup>62</sup> Education and training providers focused on building digital skills and capabilities in students and young professionals for digital work are in strong demand, both in institutional and private settings. Niche areas of opportunity are evident around digital capabilities, specialist areas such as cybersecurity and blockchain and applications for specific industries and for the government.

Sectors of growing importance include Fintech,<sup>63</sup> Agtech,<sup>64</sup> Heathtech,<sup>65</sup> and Edtech,<sup>66</sup> providing potential opportunities for firms wishing to internationalise.

It has also been suggested that Viet Nam’s nascent start-up environment, whilst devoid of significant start-up capital and financing, does provide a low-cost and supportive environment for born global entrepreneurs.

61 Austrade, 2019. *A Tiger Awakens: E-commerce in Viet Nam*. IPrice & Viet Nam Insider 2020. *What e-commerce in Viet Nam looks like in 2020?*

62 McKinsey, 2019. *How companies can seize opportunity in Viet Nam’s growing retail market*  
63 NSW Government is supporting businesses to exporting Technology to Viet Nam (Fintech, Cybersecurity and Digital Health) through grants and a 10-month Viet Nam focused Going Global Program. NSW Trade and Investment *Global Trade Update: Grow Your Tech Business to Viet Nam*  
64 World Bank 2017. *Viet Nam Development Report 2016, Transforming Vietnamese Agriculture: Gaining More from Less*  
65 Austrade, 2019. *Digital Health in Viet Nam: A Guide to Market*  
66 Austrade, 2020. *Viet Nam Edtech Scoping Study Summary Report*





MARKET INSIGHTS  
FROM AUSTRALIAN  
BUSINESS





# MARKET INSIGHTS FROM AUSTRALIAN BUSINESS

This section presents key considerations for Australian businesses interested in exploring opportunities in Viet Nam. It is based on consultation with a sample of Australians already engaged with Viet Nam, including business leaders (exporters and investors), academics and government personnel. This study sought to identify issues relevant to Australian businesses as they approach Viet Nam and grouped them around five themes.

## 1. Why Viet Nam? Market opportunities and attractions

- Viet Nam welcomes overseas business.
- Australia enjoys a positive image for quality, safety, and health.
- The economy and local market is maturing fast and competition is mounting.
- Viet Nam is not China: in scale or operational realities.
- COVID-19 management with strengthening bilateral ties make it an ideal market for Australian business.

## 2. Preparing for Business: Challenges and Success Factors

- Viet Nam requires a clear-eyed, informed, and committed approach.
- Challenges exist but can be managed with appropriate strategies and governance.
- Build company readiness, market knowledge and cultural capability to compete.
- Local knowledge and advice, understanding of government system and extensive on-ground exposure are imperative.

## 3. Market Entry: The right approach

- Leverage local expertise to build your business and market entry plans.
- Market realities: bureaucracy, infrastructure, skills, corruption.
- Review cautionary tales to avoid common traps and learn from mistakes.
- Use Australian Inc. brand and government support at home and in-country.

## 4. Business dynamics: Navigating the culture

- Viet Nam's business environment has unique political and cultural aspects.
- Political dynamics are front and centre - think national and act provincial.
- Business runs on relationships which can be culturally distinct.

## 5. Finding advice: The Australia-Viet Nam eco-system

- Do not go it alone – use the thriving ecosystem to build support.
- Onshore and offshore resources are available from governments, academia, private companies, industry bodies, students, alumni, diaspora, and locals.
- Utilise the insights and connections of the Vietnamese diaspora in Australia, Australian expatriates in Viet Nam and Australian-educated Vietnamese students and graduates.
- Benefits accrue over time. Viet Nam is a long-term proposition so start now.

## Why Viet Nam? Market opportunities and attractions

Research for this study found a consensus that there are considerable commercial opportunities in Viet Nam for Australian business in the domestic market and for export to the region or further afield. However, interest to date has been limited and chances are being missed. It was also suggested that Australian firms, particularly SMEs, might be judging Viet Nam as harder than it is when there are many SME members of AusCham Viet Nam with successful operations.

The consultations confirmed the positive external and internal factors discussed in this report. They identified Viet Nam's economic growth, stability, cost advantages, and openness, combined with management of COVID-19, as attractions. It was agreed that there is discernible good-will towards Australia, Australians as commercial partners and Australian goods and services.

Opportunities to service the domestic market have increased for foreign firms in recent years with rapid urbanisation, international exposure through the web and rising incomes. In the principal cities, affluence and an appetite for Western goods and services are very evident. Viet Nam's markets are maturing fast and commercial competition is mounting.

Viet Nam has always represented good value as a base for export-focused production, and a good base for accessing ASEAN and Chinese markets. The intensity of Japanese, Korean and Taiwanese investment in Viet Nam was referred to repeatedly

as evidence of the country's Viet Nam's value. It is currently attracting companies shifting operations from China for cost advantages or in response to China-related tensions. It was also pointed out that Viet Nam's relative cost structure advantage is already starting to shift, and it is important to consider how it might evolve in the future.

COVID-19 management, strengthening bilateral ties and likely development out to 2030, make Viet Nam an attractive market option for Australian firms. There was a view that the bilateral partnership under development could strengthen favourable factors for Australian business. Japanese businesses have benefited from similar arrangements with the country.

Prospects for future opportunities were generally seen as favourable, based on Viet Nam's political stability, economic growth, and management of COVID-19. There were some concerns expressed about its capacity to accommodate increased investment flows. Optimists pointed to its rapid rise-up international indices as evidence of the Government's commitment and capacity for reform to keep development momentum on track. Others questioned the capacity to solve looming issues of land availability, infrastructure, workforce skills shortages, and environmental challenges.

Entering Viet Nam needs to be well-conceived, risks well tested and the approach well executed. Companies which succeed in Viet Nam share the characteristics of valuing relationships, cross-cultural capacity, resilience, and a longer-term perspective.





## Education case study:

# RMIT UNIVERSITY VIET NAM



**RMIT is a global university** with three campuses in Australia, two in Viet Nam, an industry research centre in Spain, and programs delivered through partners in Singapore, HK, China, Indonesia, Sri Lanka, India, Germany, Austria and the Netherlands. RMIT has 91,000 students, 38 percent of whom are international students.

In the 1980s, Viet Nam's Doi Moi reforms started to open the economy to FDI, including in the education sector. At the same time, reforms in Australia saw universities begin to compete to extend their global reach. RMIT identified Viet Nam as a strong source market for international students and a potential location for an offshore campus. It began to signal interest in Viet Nam opportunities, promoting degree pathways in Australia and proposing delivery models in Viet Nam.

While the Viet Nam Government placed a clear priority on education, there were concerns about a 'brain drain' of talent and sensitive about foreign ownership in the education sector. Regulatory frameworks were developing slowly. Local contacts proved essential to establishing positive relationships with government agencies at all levels.

In 1998, building on the relationships with RMIT leadership formed over many years of two-way exchange and capacity building, Vietnamese authorities formally offered RMIT the first licence to operate a foreign university. The first RMIT Viet Nam campus opened in HCMC in 2001 with services and facilities mirroring the Melbourne campus. A second campus opened in Ha Noi in 2004. In 2017 an English language centre opened in Da Nang.

RMIT balances the development of facilities in terms of academic development, teaching, research, and support.

Viet Nam has provided Australian qualifications in-country for 20 years, has an annual enrolment of nearly 8,000 students from Viet Nam and the region, and maintains an active alumnus network in Viet Nam. It plans to expand regionally pertinent research and postgraduate activities, and support government ambitions to make Viet Nam a regional education and knowledge hub. It continues to be the largest Australian education investment in the country.

Before the pandemic, competition had been escalating in the education sector. Regulatory reform, delivery innovations, and improved capabilities of local institutions to partner with foreign providers, have made it easier for new entrants from around the world. RMIT has been impacted by the drop in student flows since COVID-19 but pivoted to implement online and flexible learning options. This was welcomed in Viet Nam and RMIT is now working with the Government to drive development of new digital frameworks.

The next generation of education opportunities to meet Viet Nam (and regional) demand for high-quality education are emerging for new Australian providers with appropriate market offerings and value propositions, prepared to invest the time to engage.



## Preparing for Business: Challenges and success factors

Viet Nam requires a clear-eyed, informed, and committed approach. Entrants should adopt a longer-term perspective and maintain a five to ten-year perspective in all planning. Challenges exist but can be managed with appropriate strategies and governance. It was recommended that firms be realistic and not over-reach or overestimate their capabilities. They should take the time to ensure the right infrastructure, networks, or knowledge.

It was considered important to adopt a patient and deliberate approach to building company readiness, market knowledge, and cultural capability to compete in Viet Nam. This is more of an investment of time, particularly on the ground, rather than being costly in financial terms. To some extent, these capabilities can be brought into the company, particularly at the outset, but eventually, investments must be made to embed appropriate skills and knowledge in-house. Building teams with local experience and spending time on the ground were the most effective investments over the longer term. It was stressed that a fly-in-fly-out approach is unlikely to work for Viet Nam in terms of setting up. It can, however, be useful to fly in Australian expertise to train local talent and build capabilities in-country. It was frequently mentioned that working for an Australian company is seen as desirable for building skills, status, income, and global exposure.

### Common challenges for Australian business

At the outset, firms generally found navigating government bureaucracy and regulations as the biggest barrier to entry. It is important that new entrants have in place effective local advisors to assist with this challenge. Local knowledge and advice are imperative since there is little publicly available accurate information to navigate processes in Viet Nam independently. While the strengthening

institutional and regulatory environment was identified as an encouraging element for new foreign businesses, interviewees confirmed it was challenging to stay abreast of regulatory changes, especially varying paper-based systems at provincial level. Documentation is often quite general and open to interpretation, creating uncertainty and extra transaction and operational costs for businesses.

Whilst intellectual property protection can be a challenge, it was a recurring theme that providing an 'Australian' workplace, strong training and English language development opportunity acted as an IP protection measure by fostering loyalty and retention.

Despite noted improvement in recent years, corruption remains pervasive but with a zero-tolerance approach a foreign business can still succeed. The culture of saving face requires companies to be fully informed and proactive, but diplomatic. Outrage or shock is not constructive or effective. Consultation participants repeatedly reported that it is possible for Australian firms operating in Viet Nam to establish an effective risk management framework.<sup>67</sup> New entrants to Viet Nam should familiarise themselves with Australian and Vietnamese law concerning corruption and bribery, implement an appropriate governance model, and conduct staff training on the business governance model. Another option to minimise corrupt business practices was to set up in industrial zones.

The issue of skills availability in Viet Nam provoked differing opinions. For some businesses, careful recruitment, training, and management of staff, often of foreign-educated Vietnamese, with recognition of loyalty had resulted in long-standing skilled teams. For this cohort, the view was that the young population is trainable, keen, and affordable. Other firms reported a shortage of skilled labour despite the huge workforce and population, with a lack of IT and soft skills. The effect of shortages was exacerbated by fierce competition for skilled English-speaking staff, to create ongoing churn that had to be managed.

<sup>67</sup> <https://asiasociety.org/australia/managing-bribery-and-corruption-asia-taskforce-discussion-paper>



It is critical to consider local context - consumer preferences and market practices - and then modify or augment products, services, or business models, as necessary. Examples were given during the consultation of global household brands such as Starbucks, Uber and McDonalds who initially struggled in Viet Nam, because of not understanding consumer tastes, traditions or keeping up with savvy competition. They quickly learned from their mistakes and now are being embraced by the young and emerging elite. The market in Viet Nam is fast-moving and crowded. Competition can be fiercer than in Australia especially in markets without significant barriers to entry. There are plenty of lessons to be gleaned from the failures in Viet Nam. If you get it wrong at first, be persistent, learn from mistakes and seek local advice on how to better develop a workable approach.

Market Entry: the right approach

Getting started is a slower and more complex process than many realise. Developing a go-to market strategy for Viet Nam requires considerable investment of time and effort to develop rigorous country-specific strategies and capability to make those strategies work. Invest in extensive due diligence, be ‘patient and present’ over an extended period and learn what resources you can use. Building a market entry strategy and the steps involved in setting up require extensive investment of time on the ground, regardless of whether it is entry through merger and acquisition, expansion, a joint venture, 100% foreign invested enterprise or another form of strategic alliance. On the ground experience will ensure effective due diligence on anticipated market opportunities, strategic partners, commercial opportunities, and key decisions such as location.<sup>68</sup>

When preparing to trade or invest in Viet Nam, adopt a stepped approach. Ascertain your export readiness and do market research using free government and other resources in Australia. Build a sense of

relevant market size and trends, competition (foreign and local), business model, products and services, laws, and regulations.

Start building relevant connections in Australia and Viet Nam. These will be vital foundations later for referrals and advice. Use existing government agencies to research the country in the first instance. Advice is available at Federal and State level at home in Australia on export readiness, investment facilitation, country-specific information, advantages to be gained from trade agreements and ‘behind the border’ regulatory realities.

Visit the country on business or trade missions or independently. Austrade maintains a program of international trade exhibition and missions that are designed to help export-ready companies to build their overseas trade, such as the 2019 Agricultural Ministerial and Trade mission.<sup>69</sup> COVID-19 has driven the development of virtual trade shows, webinars, and online networking events. It is important to immerse yourself and get plenty of first-hand exposure.

Important decisions include the eventual corporate structure you will adopt, finding partners and the location for your business. Consider establishing an in-market presence – generally a Representative Office – early. This is the initial step for most companies entering Viet Nam and allows the cultivation of partnerships and other relationships before commencing commercial activities. Physical presence and personal contact are viewed as real assets. Setting up a local office in Asia is the most effective way to conduct business transactions, whether with customers, suppliers, or partners. This is also the best way to deal with governmental authorities. While set-up costs are relatively inexpensive in Viet Nam, over-investment in other commercial arrangements can be costly if you make mistakes.

It is important to build an advice network of experienced, local practitioners. You need advice on

69 [https://nff.org.au/media-release/agricultural-trade-mission-moves-to-Viet-Nam/?utm\\_source=miragenews&utm\\_medium=miragenews&utm\\_campaign=news](https://nff.org.au/media-release/agricultural-trade-mission-moves-to-Viet-Nam/?utm_source=miragenews&utm_medium=miragenews&utm_campaign=news)

68 KPMG, 2017. *Viet Nam Market Entry: Seize the opportunity 2017 and Beyond*

employment/labour relations/working conditions, business set-up options, financing, taxation,<sup>70</sup> incentives, etc. Consult experts in Australia but importantly in Viet Nam at all stages. Engage local professionals (particularly accountants and lawyers) who understand local realities. The Australian Embassy and Consulates, along with Austrade and State trade advisors in country, can refer you to local consultants who can advise on institutional and regulatory factors. AusCham networks can be valuable referral sources.

Companies distributing goods in Viet Nam will invariably come to rely on local partners to carry out elements of their sales, marketing, or distribution. These companies can play an invaluable role in establishing brand recognition, sales channels, and effective distribution networks

within the country. They have the local language, customs and regulations, and Australian partners can proactively leverage their strengths, connections, and knowledge. Finding appropriate sales agents, partners, or independent contractors can be challenging. Companies with established operations in Viet Nam found referral networks essential.

There are several different entry models for companies intending to do business, each offering a unique vantage point for the market. The most common approach is opening a Representative Office which may entail higher up-front costs but provides advantages from local presence such as greater control over operations and financing and opportunity to have stronger and deeper relationships with stakeholders, especially political stakeholders.



People are chilling and chatting on the side of the road holding beer and juices while bikes are passing by - Alex Zeng



Table 8. Comparison of market entry models

Set Up Option	Risks to be Managed	Advantage	Success Factor
Distributor (customer)	<ul style="list-style-type: none"><li>• Limited control</li><li>• High dependency</li><li>• Limited marketing control</li></ul>	<ul style="list-style-type: none"><li>• Low operational costs</li><li>• Secure market share</li><li>• Customer base</li></ul>	<ul style="list-style-type: none"><li>• Govt/ Private</li><li>• Avoid transactional relationship</li></ul>
Agent (representative)	<ul style="list-style-type: none"><li>• Limited control</li><li>• High dependency</li><li>• Limited marketing control</li><li>• General or exclusive arrangement</li></ul>	<ul style="list-style-type: none"><li>• Low operational costs</li><li>• Secure market share</li><li>• Customer base</li></ul>	<ul style="list-style-type: none"><li>• Local help to identify/ screen agents’ reputation, networks, readiness, and finances</li></ul>
Representative Office	<ul style="list-style-type: none"><li>• Local staff requirements</li><li>• No commercial activity or profit</li><li>• Annual operating costs lower</li></ul>	<ul style="list-style-type: none"><li>• Common first step to set up commercial presence</li><li>• Modest cost entry option</li><li>• Straight forward registration</li><li>• Can develop assets/ structure/ partnerships with local companies</li><li>• Get firsthand exposure</li><li>• Build local networks, promote, and assess local realities</li></ul>	<ul style="list-style-type: none"><li>• Use local expertise for:</li><li>• Market research</li><li>• Entry strategy</li><li>• Business plan</li></ul>
Joint Venture	<ul style="list-style-type: none"><li>• Finding suitable partner</li><li>• Potential conflicts with partner</li></ul>	<ul style="list-style-type: none"><li>• Higher level of control over business processes</li><li>• Cost intensive</li></ul>	<ul style="list-style-type: none"><li>• Clear criteria</li><li>• Evaluate capability early and often</li><li>• Ongoing Governance</li></ul>
Acquisition/Merger	<ul style="list-style-type: none"><li>• Overpay</li><li>• Restructuring/ adjustment effort</li></ul>	Pre-existing market share	Local expert advice
<ul style="list-style-type: none"><li>• Company Formation</li><li>• LLC 100% foreign owned</li><li>• Joint stock company JSC 100% foreign owned</li><li>• Subsidiary</li><li>• Branch Office</li></ul>	<ul style="list-style-type: none"><li>• Longer complicated start-up</li><li>• Requires infrastructure and HR</li><li>• Location decision</li></ul>	High Level of control	<ul style="list-style-type: none"><li>• Local expert advice</li><li>• Care over options for incorporation</li></ul>
<ul style="list-style-type: none"><li>• Industrial Park/Location Decision/Export processing zones</li></ul>	<ul style="list-style-type: none"><li>• Assessment of infrastructure</li><li>• Managing government relationships</li></ul>	<ul style="list-style-type: none"><li>• Stand-alone sites or interconnected multiple</li></ul>	

Source: RMIT research team

The location decision requires the normal considerations of infrastructure, proximity to customers, inputs, and relevant partners. In Viet Nam, a key question is whether to set up in a designated industrial park or special economic zone. A key motivation for businesses to set up in such a zone was to avoid corrupt business practices but this has significantly higher costs for rent, land, administrative expenses. Being in a park can provide useful connections to foreign firms and knowledge spill-overs, and perhaps more readily tap experienced expatriates and skilled locals.

It is advisable to use a professional service and do a first-hand reality check of relative advantages or emerging hotspots for growth identified by the Vietnamese Government with incentives and concessions. Provincial Government considerations are critical when deciding on a location. Two useful tools can help companies to learn more about provincial governments who operate the economic and industrial parks. The first is the Provincial Governance and Public Administration Performance Index (PAPI), an annual index provided by Australia and Ireland conducted since 2009 to measure provincial governance and public administration

performance. PAPI measures citizen views of eight dimensions: local participation, transparency, accountability, corruption, procedure, environmental and e-governance, and overall delivery. The PAPI website also provides up-to-date and detailed provincial profiles, case studies and policy overviews. Each province has its own strengths and weaknesses, none of the 63 provinces excelled in all eight dimensions.<sup>71</sup> Tra Vinh, Cao Bang, Bac Lieu, Quang Ninh, and Bac Ninh provinces are shown as having the greatest average change between 2011 and 2019.

The second suggested tool is the US Agency for International Development and Viet Nam Chamber of Commerce and Industry’s Provincial Competitiveness Index (PCI) which surveys private enterprises to rate each of the 63 provinces on the regulatory environment and ease of operating a business. The PCI provides information on each jurisdiction in terms of entry costs, leadership, labour, and support services. The top provinces in 2018 were Quang Ninh (North), Dong Thap (South), Long An (South), Ben Tre (South), and Da Nang (Central).

Both the PCI and PAPI can be used as aggregate indices and to check individual factors of greatest interest to business such as the corruption indicator and the efficiency indicators.

Business dynamics: Navigating the culture

A successful Australian business in Viet Nam is a global business that bridges or melds two cultures – Australian and Vietnamese. Viet Nam needs to be considered in terms of its unique qualities and context. It is following its own development path, not mimicking China, in a new time, with different conditions, drivers and realities. Comparisons can be made to Japan with its appreciation of tradition; China as it moves from being a cheap manufacturing base up the value chain; to Singapore with its open trade policies and architecture; China’s southern Guangdong province in population scale and economic activity; and Indonesia in terms of benefits from a demographic dividend.

The business environment is quite different from Australia, and from the other ASEAN countries. Viet Nam’s environment has unique political and cultural aspects. It was described as aggressive, pragmatic, and focused on success. It is a fast-moving and competitive. New entrants are advised to do a thorough competitive analysis and understand local competition. They can have a significant advantage if they build an understanding of local conditions and demand.

A key skill was to manage relationships and stakeholders with typically greater involvement and communication over time than Australian business is used to. Relationships are key in Viet Nam and are frequently set up through referral and introductions. This applies to relationships with suppliers, distributors or representatives and government entities. Interaction should begin even at the project planning stage and be maintained.

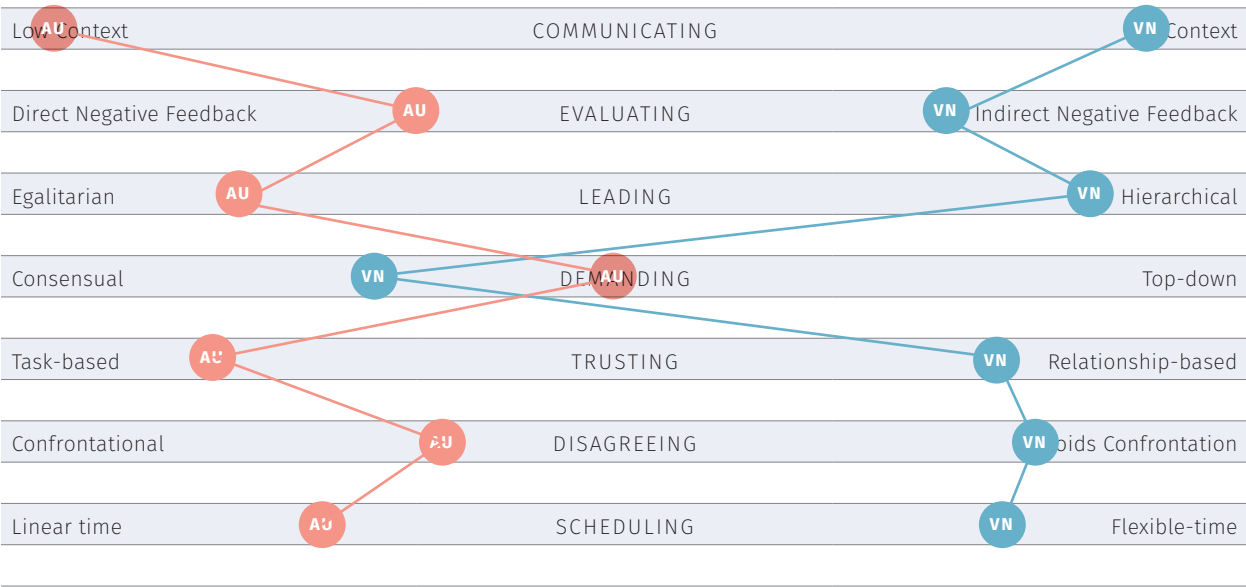
Establishing relationships requires effort to develop a personal connection and rapport. At the outset, Vietnamese respond well to a degree of openness and transparency to build trust, credibility and establish relationships. Longer-term relationships should be proactively managed to ensure business effectiveness. Business meetings frequently involve personal exchange. Hospitality is critical to building relationships and used appropriately should always come before any attempt to land a deal. Similarly, paying respect to local culture, including Viet Nam’s environment and food and the importance of family, are key parts of building rapport.

Vietnamese millennials are still quite influenced by traditional norms and the cultural imperative to build personal rapport before doing business. Consistent and patient communication is effective in resolving many issues. The need for patience and cultural sensitivity was repeatedly stressed throughout the consultation. International management research and practice have long recognised the prominence of understanding institutional and cultural differences between countries and how such differences translate and impact the management practices and operations of globalised businesses.

71 www.papi.org.vn



Table 8: Cultural Mapping of Viet Nam and Australia



Source: Erin Meyer, 2014. Culture Map. ■ VIETNAM ■ AUSTRALIA

Vietnamese political and business dynamics are often entwined. Political dynamics are front and centre. Firms noted that the political system has delivered advantages in dealing with COVID-19 but stressed that Australian businesses coming to Viet Nam needed to remain aware of the differences between the political systems in the two countries. Viet Nam is a collectivist country under a single-party state with a decentralised administration. While it is open and welcomes FDI, the position and role of the Government can impact directly on business success. There are many inexpensive, local, and expert mid-tier consultancies in Viet Nam that can advise new entrants on these realities and ‘who is who’. It is important to effectively map stakeholders in Government and build relationships with the right people aligned to your objectives.

This applies to provincial government as well as central ministries. Relationships at the provincial level require ongoing investment in strategic relationships. Market entry in Viet Nam requires strong relationships with local stakeholders. Work

with local government carefully and position yourself well. It is common to have to navigate regulation and having the right connection points can bring operational clarity when delays occur.



Vietnamese-Australian case study:

VIET-UC SEAFOOD CORPORATION

 Viet-Uc is a fully integrated prawn production company operating various parts of its business at 14 sites across Viet Nam. It was founded in 2001 by Vietnamese-Australian entrepreneur Van Thanh Luong, who came to Australia as a refugee in 1982.

It represents a potential new model for business expansion into a county like Viet Nam with someone from a diaspora community taking Australian business culture and intellectual property back home. The aquaculture technology used by the company has been deployed at a greater scale than was possible in Australia with learnings and subsequent innovations able to be redeployed in the Australian prawn industry where annual farmed production is much smaller than in Viet Nam.

Luong developed two businesses earlier in Melbourne in textile manufacturing and photo processing and says the management, innovation, and quality skills he learned in Australia have given him a comparative advantage in business after returning to Viet Nam.

He went back to his village at Bac Lieu in the Mekong delta for the first time in 2000 when the Vietnamese Government was trying to increase food yields from the rice farms in the area by encouraging them to turn to aquaculture. Luong identified the need for more modern farming techniques to make the switch from rice farming work. Back in Australia, he sought advice from the CSIRO that led to an agreement for him to deploy proprietary CSIRO breeding program practices and food product in Viet

Nam. “I decided that if I went back to Viet Nam to do this sort of business I would be OK if I could bring technology from other countries and call in experts to work with me,” Luong says of his business plan.

Viet-Uc and CSIRO have now collaborated closely since 2010 to develop and validate systems for improving post-larvae (or baby) prawn production as well as prawn growth performance through health management and selective breeding. CSIRO licenses the Novacq prawn food to Viet-Uc on a fully commercial basis but provides the continually updated breeding program on a knowledge-sharing basis. Viet-Uc has so far paid about \$15 million to CSIRO for research and development and royalties. Viet-Uc now supplies about 30% of the post-larvae animals sold to other farmers in Viet Nam to be grown out for harvesting, it is the only local company producing the brood-stock for these baby prawns and produces prawn food for sale. The next stage of the business is to roll out prawn farms and co-located processing factories for export with a target of 100,000 tonnes a year or 20 times Australia’s current farmed prawn output.

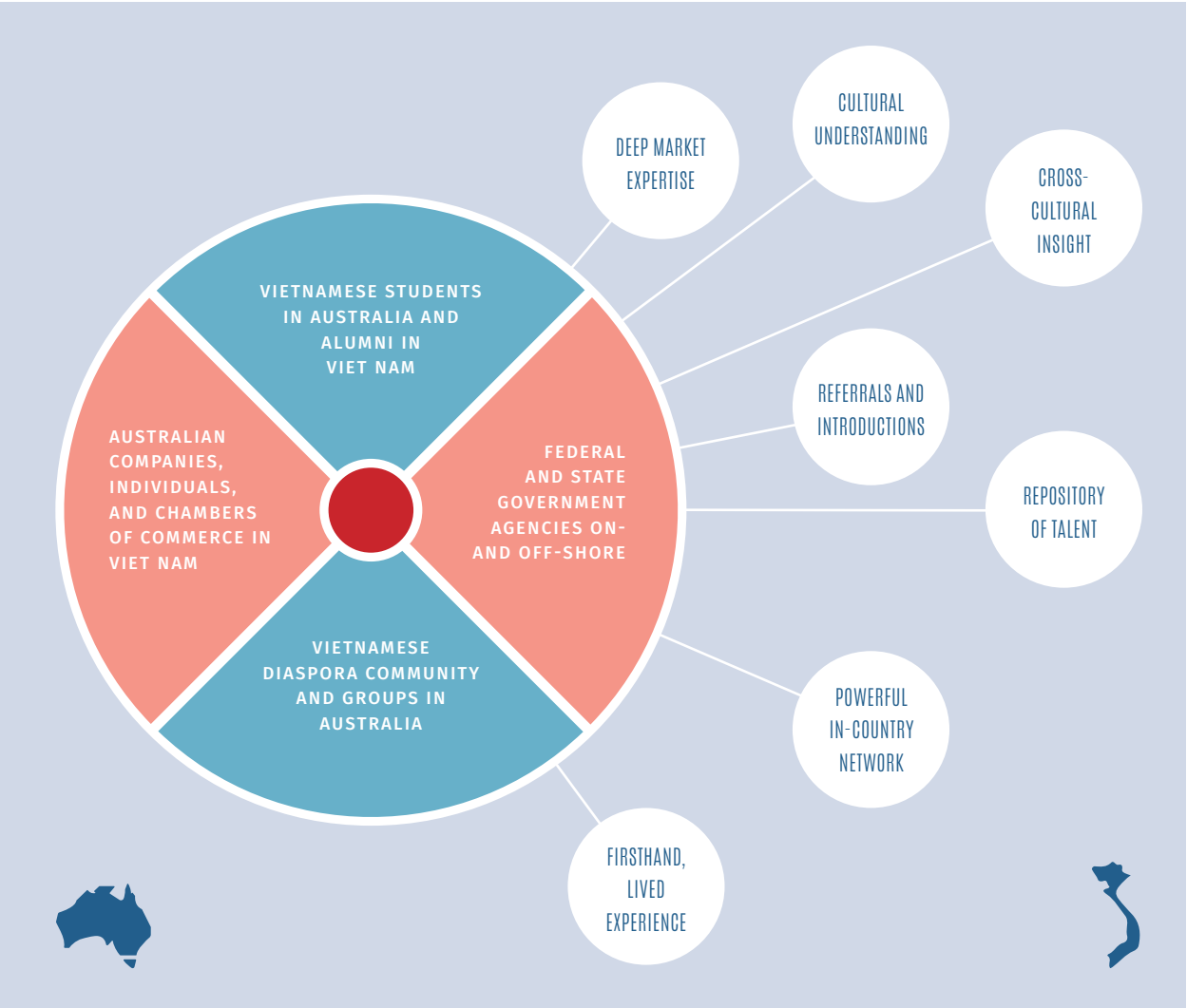
The plan is to then have a fully in-house prawn production business which is protected from the disease outbreaks common in the industry because Viet-Uc has a controlled eco-system ranging from its proprietary breeding system to what it believes is the pioneering use of recycled water in the Asian industry at its largest facility in Bac Lieu.

Luong has built the business using cash flow rather than debt and still owns more than 80% of the equity through a Singapore-based holding company after the sale of stakes to two investment funds which valued the business at US\$330 million.





Finding Advice: the Australia-Viet Nam eco-system



Source: RMIT research team

The consultation revealed a Viet Nam-Australia eco-system, on- and offshore, that is currently poorly understood and under-used by potential and new business entrants. Those looking to engage in Viet Nam can build strong professional networks by drawing on a rich eco-system made up of the government, academic and private sectors, students, alumni, diaspora, and locals.

This includes committed bodies in both countries that can be leveraged to create a support network of key contacts. Business associations and local chambers of commerce focused on the Viet Nam-Australia economic relationship are a good starting point for companies interested to make new

connections. These organisations can help companies to understand the availability of specific functions in the local market and the challenges when working with these parties.

Entering a new market entails considerable due diligence and planning. Australian businesses considering Viet Nam need to undertake this activity on and offshore, and access support of government agencies and private sector professional assistance.

It was agreed that there is potential for business to better leverage people-to-people links to build capability and understand how to use the Vietnamese diaspora in Australia, Australian expatriates in

Viet Nam and Australian-educated Vietnamese students and graduates.

Contact with, for example, Australians expatriates currently operating in Viet Nam, Vietnamese students and alumni of Australian universities or Australians of Vietnamese descent can provide invaluable insights and connections. These groups have lived the reality of Viet Nam’s demographics, location and common interests and needs of target customers. This section reviews such groups and some of the organisations which aggregate them. Understanding and defining any proposed market can be a daunting task and while statistics and data are available in today’s interconnected world, engaging the human dimension can also strengthen the foundations for successful market entry.

A beneficial outcome of the many Vietnamese students who study in Australia is a strong cohort of engaged business students in Australia or at Australian institutions in Viet Nam, many of whom welcome opportunities to intern, work or otherwise support businesses interested in Viet Nam. The Global Victoria Intellect Program (GVIP) is a virtual, two-week program that allows Victoria-based exporters to gain market research intelligence from teams of international students studying in Victoria. Last year Southern Ocean Mariculture, a Victorian abalone farm, accessed a clear picture of consumer preferences in Viet Nam, market insights, packaging feedback and assessment of different retail options.<sup>72</sup>

A related group is the growing alumni of Vietnamese graduates from Australian institutions. DFAT reports that more than 2.5 million international students have studied, researched or trained at an Australian education institution in Australia, offshore or online, over the last fifty years, making a powerful global alumnus.<sup>73</sup> Most return to their homelands, many have emerged as leaders in their fields, and all

possess a special insight into both Australia and their home society. In Viet Nam, the Australian Embassy reports that many alumni have set up their own businesses in a wide variety of fields, including safe agricultural products, IT software, trade, accounting, and education services.

The Australia Awards are prestigious international scholarships and fellowships funded by the Australian Government. There are more than 5,800 Australia Awards alumni in Viet Nam including many prominent academics, business and community leaders, and government officials, with core groups in Ha Noi, Hue, Da Nang and HCMC.<sup>74</sup>

Expatriates with experience running enterprises or developing goods or services for the Vietnamese markets represent a core resource to illuminate key cross-cultural issues and norms that underpin successful business relationships. Expatriate contacts and peer-to-peer exchange of information is frequently cited as a leading benefit of participating in international trade missions by participating companies of all sizes.

Organisations such as AusCham Viet Nam and AusCham ASEAN – the offshore Australian Chambers of Commerce - along with the onshore business counterparts including the Australia Vietnamese Business Council, and broader networks such as Advance and the Australia Viet Nam Young Leadership Dialogue, aggregate the knowledge, networks and expertise of Australian expatriates.<sup>75</sup> Members include Australian and Vietnamese business leaders and professionals in a range of sectors with vital lived experience of operating not only in Viet Nam but often across the Asian region. They understand the character of the country that is their ‘home’, maintain long-term, trusted relationships locally, and are effective in that cultural context.

<sup>74</sup> [www.australiaawardsvietnam.com](http://www.australiaawardsvietnam.com).  
<sup>75</sup> Auscham Viet Nam actively provides support to Australian business members with business and cultural advice <https://auschamvn.org>. Advance is a network of Australian expatriates around the world with contacts such as the professionals profiled in <https://advance.org/born-global/asean/>.



It is estimated that there are more than 30 Australian affiliates operating in Viet Nam and there are also resident Australian expatriates employed by Australian focused importers and exporters or working in global organisations.<sup>76</sup> In a recent report, PwC estimated that there are currently more than 130,000 Australians in Asian economies, and predicted this would be 450,000 by 2030, representing powerful but presently under-used assets for Australia and businesses.<sup>77</sup> DFAT reports that under the New Colombo Plan more than 10,000 Australian students were sent to Asia in its first three years, adding to the pool of Asia-savvy Australians. Reports from PwC, Advance, and the global employment search firm, Indeed, stress that this repository of talent is currently under appreciated by Australian business and greater effort should be made to engage expatriate experience, particularly when entering Asia.<sup>78</sup>

The resident Vietnamese community forms one of Australia’s largest resident Asian diaspora groups, encompassing refugees from the 1970s, their children and grandchildren, and migrants from the 1990s onwards. One report made the point that such diaspora are “filled with educated, talented, globally connected and ambitious people, can significantly improve Australia’s Asian capability and help us to respond better to emerging opportunities in Asia.”<sup>79</sup> Most recently, the momentum of the Australia-Viet Nam Young Leadership Dialogue bodes well for the future continuation of strong relationships between the two countries through another front.<sup>80</sup>

The Export Council 2019 Survey of International Businesses reported that globally exposed Australian businesses thought local multicultural communities helped them export to specific markets, by that Asian-Australian communities play a role in the promotion of Australian goods and services.<sup>81</sup> More initiatives need to be developed to tap into the connections, knowledge, and good will of the above groups to foster stronger support for businesses considering opportunities in Viet Nam. A promising resource is a planned Australia-Viet Nam Supply Chain Collaboration Platform currently being developed by RMIT University and funded by an Australia-ASEAN Council grant.

76 ABS Australian Outward Foreign Affiliates Trade (AOFAT) report 2020  
77 PwC and Advance, 2018. *Out of sight, out of mind? Australia’s diaspora as a pathway to innovation*  
78 Indeed. Advance. 2019. They Still Call Australia home. PwC 2018. Our Diaspora’s Got Talent  
79 Cheng, J. 2016. *Engaging Diasporas: The case of Australia & key countries. Report for Securing Australia’s Future. ACOLA Australia’s Diaspora Advantage: Realising the potential for building transnational business networks with Asia*  
80 Established in 2017, the Australia-Viet Nam Young Leadership Dialogue aims to nurture relationships, promote engagement, and incubate collaboration between Australian and Vietnamese young leaders across society.

81 Export Council of Australia, 2019. *2019 Survey of International Businesses*





## CONCLUSION AND NEXT STEPS

There has been no better time for Australian businesses to engage in Viet Nam. Despite COVID-related challenges, its economy grew by nearly three percent in 2020 while many of its regional peers, including Australia, fell into recession.

Viet Nam is increasingly outward-looking and the pace of its regulatory reforms and success in 2020 is creating a more certain business environment. This is happening at the same time as the rise of geopolitical tensions in the region and a closer set of shared values and trust between Australia and Viet Nam.

Bilateral engagement will deepen over the coming years, buttressed by Government-to-Government cooperation, shared interests in regional fora and alignment globally.

Opportunities will continue to unfold for Australian businesses which are willing to engage and adapt to local market conditions, cultural realities, and leverage Australia's unique assets in the burgeoning eco-system. The market will continue to grow and become more complex.

This report is an important step in building greater business engagement between our nations. Both RMIT University and Asia Society Australia stand willing and able to continue raising awareness and building capability on an ongoing basis.



Mid-Autumn Festival, Hang Ma, Hoan Kiem, Hanoi - Hieu Tran



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# ANNEX A: OPPORTUNITY ANALYSIS<sup>82</sup>

## I. Key opportunities | Goods

There are significant opportunities for Australian exporters to build trade with Viet Nam across a range of goods including beef, grains, cotton, horticulture, and some processed foods. Australia’s exports can also grow as inputs to manufacturing value chains in Viet Nam, servicing trade throughout the region.

Australia has global capability as a producer and manufacturer of these products, is already a significant or growing exporter, and in some product categories benefits from market access advantages under existing FTA arrangements with Viet Nam.

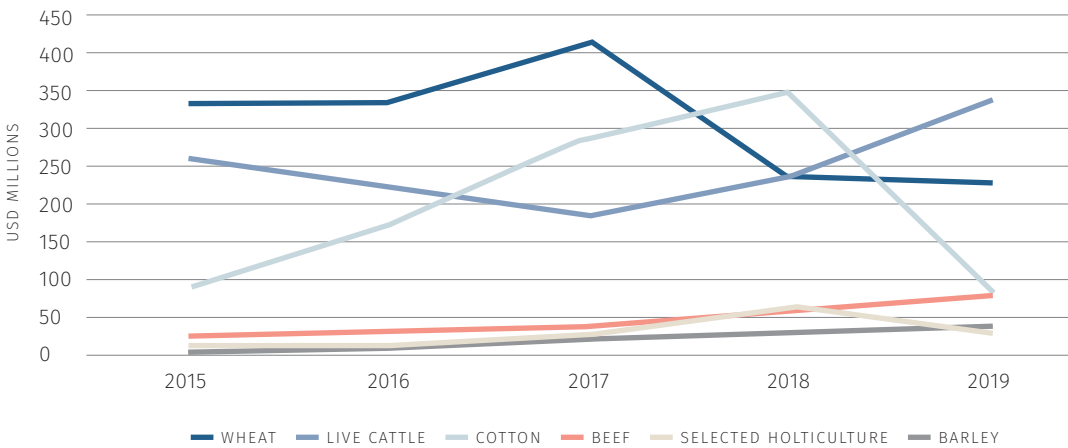
Trade opportunities for Australia are supported by policy settings in Viet Nam that are generally encouraging of foreign investment to advance the country’s position as a major trader in the Asia Pacific.

### Key exports

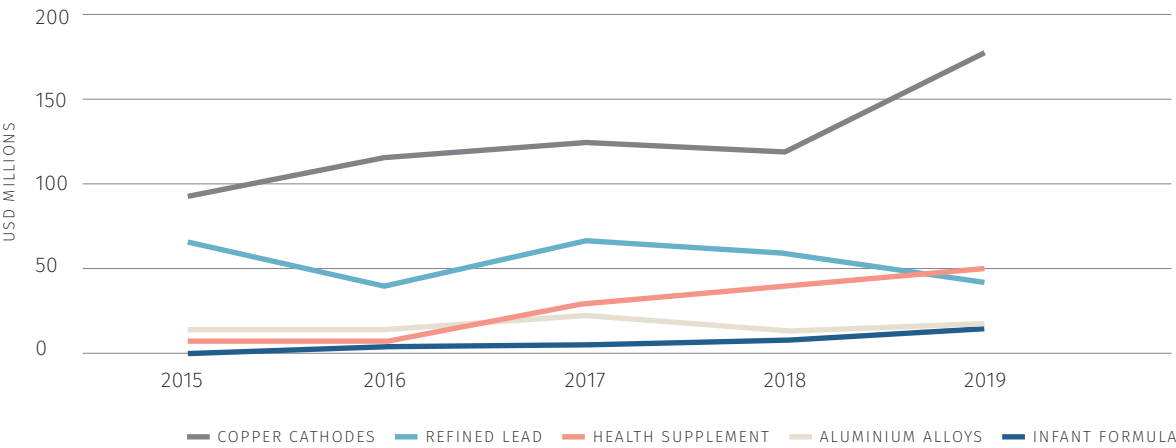
**Total Australian agriculture exports to Viet Nam are growing.** According to the Food and Agriculture Organisation, from 2014 to 2018 (the most recent data available), Australia’s total exports of all agricultural goods to Viet Nam grew by 19%, from US\$1.1 billion to US\$1.3 billion. Top performing agricultural products, by value, included live cattle, cotton, wheat and beef.

**Some agricultural products have exhibited rapid export growth, while others have not fared as well.** Cotton exports more than tripled over the 2015-2018 period, although 2019 totals were down sharply. Sales of beef increased by 290% over the five years to 2019. Exports of selected horticultural products (almonds, raisins, oranges and broad beans) grew by over 160%, and barley – from an admittedly small starting point of just over US\$2million in

SELECTED AGRICULTURE EXPORTS | AUSTRALIA TO VIET NAM



SELECTED MANUFACTURED EXPORTS | AUSTRALIA TO VIET NAM



Source: UN Comtrade

2015 – expanded by more than 1500% to US\$36 million in 2019. Trends have been less positive for other product categories, including wheat, which fell almost by half from a 2017 peak of over US\$400 million to US\$224 million in 2019.

There are also examples of impressive growth in some manufactured and semi-processed exports to Viet Nam. Copper cathode exports grew by 89% between 2015 and 2019, while infant formula and health supplements/medicaments increased by 436 and 629% respectively.

### Market access advantages

**Australia’s exports benefit from Viet Nam’s membership of both AANZFTA and CPTPP.** Australian exporters receive at least equivalent access to Viet Nam as key competitors for -beef and live cattle, wheat and barley, cotton, horticulture products, semi-processed metals, and processed foods.

Across the different products, Australia’s key competitors are the US (beef, cotton, wheat and almonds), Lao PDR (live cattle), the EU (infant formula and health supplements), Russia (wheat),

Canada (wheat), Argentina (barley), Brazil (cotton), South Africa (oranges), Japan (infant formula and health supplements), and Singapore (infant formula and health supplements). Some of these economies benefit from preferential access to Viet Nam under the following agreements: ASEAN Trade in Goods Agreement (ATIGA) – Lao PDR; Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) – Japan and Singapore; EU-Viet Nam Free Trade Agreement (EVFTA) – EU member states.

Australia has FTA market access advantages over key competitors in beef, wheat and selected horticultural products, and to a lesser degree in infant formula and health supplements/ medicaments. In some other categories (e.g.: live cattle, barley, and cotton) Australia has duty free access, but so do key competitors. The following table provides a comparison of the access granted under WTO-wide tariff rates (Most Favoured Nation – MFN) and Viet Nam’s FTAs. Cells shaded green indicate Australian advantages.

**More FTAs are on the way.** Both Australia and Viet Nam are also members of the Regional Comprehensive Partnership Agreement (RCEP) which has recently been signed. Outcomes in that

82 Analysis prepared by Kristen Bondietti, Jon Berry and Khalil Hegarty



agreement may alter the balance of access between Australia and Viet Nam vis a vis competitors that are also part of RCEP (Korea, Japan, New Zealand, China and ASEAN, but not the US or EU). Viet Nam is also currently updating its FTA with Korea.

**Viet Nam’s agricultural sector is relatively open.** Viet Nam has low levels of government support and protection for agriculture when compared with other ASEAN and OECD economies. Policy reforms over the past decade have contributed to significant reductions in both government support to the farm sector, and protection from international competition. Vietnamese farmers are now rated by the OECD as being less supported and protected even than their Australian counterparts, who are among the least subsidised in the world.<sup>83</sup>

According to the Global Trade Alert – which tracks both liberalising and harmful trade policies – Viet Nam has in place very few harmful trade policies. Even during 2020 – when many economies rushed through protectionist measures to shield local sectors from the global economic slowdown – Viet Nam has not disadvantaged overseas agricultural suppliers. In fact, the 2020 policies that have impacted agricultural suppliers in 2020 include liberalising policies such as a reduction of MFN tariffs on wheat and other food goods, and a duty exemption on non-woven fabrics.

A notable exception to generally open trade settings is Vietnamese rice policy. As is the case in many

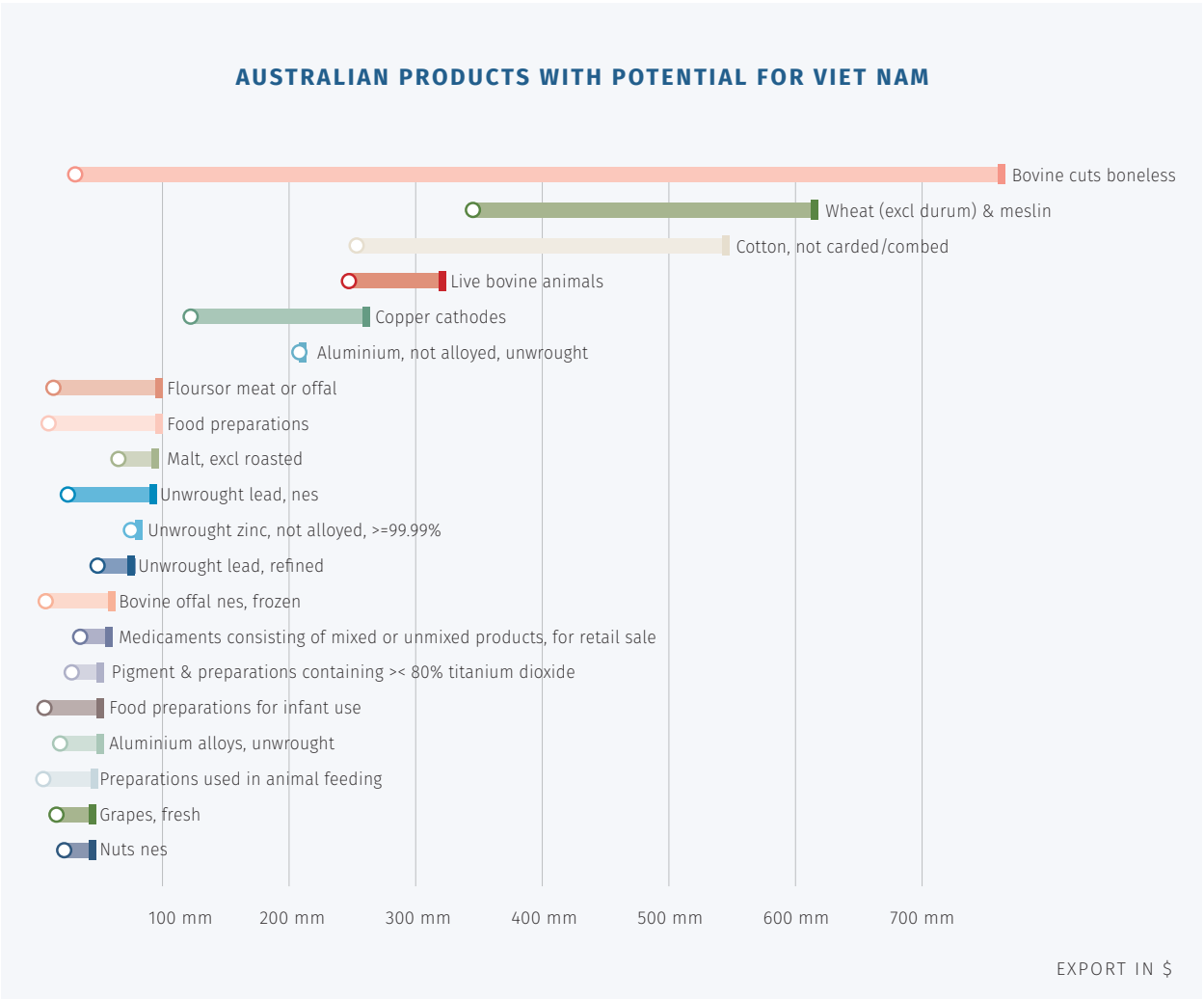
Southeast and East Asian economies, Viet Nam maintains some policy settings that aim to promote rice self-sufficiency. An early response to the COVID-19 pandemic was to temporarily ban rice exports, and foreign investors have reported difficulties securing licenses for domestic rice distribution.

Viet Nam maintains sanitary and phytosanitary requirements for imported processed food products, including infant formula which apply to Australia and can impact on exports.<sup>84</sup>

Market potential

**There is significant potential for Australia to grow exports of key products to Viet Nam.** The Export Potential Map, a major data source hosted by the International Trade Centre (ITC - a joint agency of the WTO and United Nations) identifies Australia’s export products that have the greatest growth opportunities in the Vietnamese market. The opportunities identified are based on consumption in the Vietnamese market, Australia’s comparative advantage as a supplier of the products, and FTA and other market access advantages.

The most prospective products include beef, live cattle, wheat, barley, cotton, infant formula, medicaments, copper cathodes, refined lead, and aluminium alloys.



Source: ITC Export Potential Map



Left: Halong Bay - Antoine de Barquin on unsplash.com; Right: Ho Chi Minh City - Daniel Bernard

83 OECD Producer Support and Producer Protection indices

84 See the MiCOR database, maintained by the Australian Department of Agriculture, Water and Energy <https://micor.agriculture.gov.au/>



II. KEY OPPORTUNITIES | SERVICES

**There is opportunity to expand Australia’s export of services in education, ICT, insurance, environmental and health services to Viet Nam. All these services, although currently small, have experienced significant growth in recent years.**

Australian exporters benefit from advantages because of CPTPP, Viet Nam’s increasingly open policy trade and investment policy settings and increasing market demand for quality services, although regulatory barriers persist in some services industries. Greater Australian participation in Viet Nam’s expanding services sectors offer mutual opportunities to support growth of Australia’s services exports and Viet Nam’s economy.

Key exports<sup>85</sup>

**Australia’s cross border services exports to Viet Nam are small but are growing.** As measured by balance of payments data, total services exports were \$1.801 billion (2018-2019), comprising just 1.7% of total Australian services exports. However, growth has been substantial, expanding 5.8% over the past year, more than 24% since 2015 and by more than 78% since 2010. This does not account for growth in exports delivered by foreign affiliates in Viet Nam, and thereby likely understates the true magnitude of Australian exports.

Cross border exports to Viet Nam are dominated by education, principally education related travel (amounting to \$1.45 billion, or 80%) - Vietnamese students studying in Australia. Other key services exports include transport (\$59 million), personal cultural services (\$22 million), ICT and computer services (\$13m) and other business services (\$10 million). Insurance, pension, and financial services are smaller again at \$3 million.<sup>86</sup>

While education exports are growing strongly, growth has been more rapid and significant across other services over the last year and the last ten years. For example, exports of business services grew 66% last year and insurance services by 50%. ICT sectors exports have grown more than 550% since 2010, although from a low base.

**Australia has capability in areas of export growth.** Important and growing services exports broadly correspond with areas of services trade where Australia has a revealed comparative advantage: Australia has a global comparative advantage in education services according to the OECD. When considered at the regional level, Australia has a comparative advantage in the Asia-Pacific in several sectors, including insurance services, information and computers and other business services. A strong area of Australian comparative advantage is related to research and development in the health and biotech sectors.<sup>87</sup>

MORE THAN CROSS-BORDER TRANSACTIONS

*Statistical data is useful for indicating broad categories of services that are ‘exported’ across borders from Australian to Viet Nam, but does not provide a full picture of the type of services exports and way in which they are delivered or ‘exported.’*

*Services value may be captured by particular statistical category balance of payment data (e.g.: ICT) but from a trade perspective can be delivered across various industries (e.g.: ICT services used in health, financial industries) and via different ‘modes’ For example, sales of services through Australian affiliates established in Viet Nam are services ‘exports’ but are not captured in official data (e.g. the provision of education to Vietnamese students from an RMIT campus in Viet Nam). Similarly, data does not distinguish between services that require mobility of labour for their delivery (e.g.: an Australian teacher working in Viet Nam) and those that don’t (an Australian teacher providing correspondence courses on line to Vietnamese students).*

*These shortcomings tend to understate the true value of services exports, ignore their connection with investment and reduce the visibility of their reliance on labour mobility – all of which are important for businesses seeking to export services.*

Source: OECD TiVA database

Market access advantages

**The CPTPP builds on the AANZFTA to deliver benefits to Australian services exporters.** The agreement creates improvements to existing market conditions in trade with Viet Nam across several

services industries, including education, ICT, environmental services, health, and insurance and pension services. This is supported by improvements to temporary labour mobility<sup>1</sup> and disciplines to ease e-commerce, both of which are important for services trade.

FTAs and agreements impact on the degree to which economies can trade with each other. The OECD points out that the participation of both countries in the same FTA, and its specific coverage, may be crucial for services trade.<sup>2</sup> Commitments on regulations affecting services that ‘lock in’ existing levels of access also provide added certainty to exporters and can have a favourable impact on investment decisions.<sup>3</sup>

**Australia’s FTAs with Viet Nam provide Australian exporters with access advantages over some major competitors.** Advantages are evident in education, ICT, health, insurance, and environmental services. Major competitors span the Asia Pacific and the EU – including Singapore, Japan, the EU, the US as well as China and Korea.<sup>4</sup> The CPTPP accords Australia, as well as other CPTPP members - Japan, Singapore, Canada and NZ – significant access advantages vis a vis the US, that does not have an FTA with Viet Nam, and to a lesser extent China and Korea, which have older and less comprehensive FTAs with Viet Nam including regional agreements. The EU generally benefits from equivalent access under its recent bilateral FTA with Viet Nam (EVFTA).

**Regulatory policy settings on services in Viet Nam are generally open.** This is so when compared with other ASEAN economies (except perhaps Singapore) and particularly to CPTPP partners including Australia.<sup>5</sup> However, some regulatory barriers to Australian services exporters remain. The incidence of barriers varies by both service industry and type of barrier.

All services sectors benefit from temporary entry provisions under FTAs that permit, albeit not completely, some labour mobility for specialist contractual services suppliers, as well as provisions to facilitate e-commerce and digital transactions.

<sup>85</sup> The true value and nature of services exports difficult to measure and quantify. Data that is available does not give a complete picture of way services are delivered and how they support trade. Services value may be captured by articular statistical category (e.g.: ICT) but in reality are delivered across various industries (e.g.: ICT services used in health, financial industries) and via different ‘modes’ (e.g.; through an Australian affiliate in Viet Nam, that is not captured). For all these reasons, it is possible only to give indication of broad types of services that currently do or are increasingly contributing to services trade with Viet Nam.

<sup>86</sup> ABS Cat 5368.0.55.004 - International Trade: Supplementary Information, Calendar Year, 2019.  
<sup>87</sup> OECD, Australian Services Trade in the Global Economy, 2018.



# REGULATORY BARRIERS MATTER

Regulatory barriers can impact negatively on trade, and particularly so services trade. This is because services delivery is impacted not only by sector specific regulations but the multi-layered framework of laws and regulations that applies across the economy. For example, delivery of distance learning on a cross border basis, while an education service, will be affected by digital policy settings including on line content restrictions, broadband connection speed, complications with accessing and processing information and ownership of online course material, among others. The regulatory environment related to the ease of doing business and labour mobility, and at the sub central level, may also impede services trade.

Notably barriers specific to the different ways in which services are delivered will also have differential effects. Barriers to establishment generally have a large impact on trade in services, highlighting the complementarity between commercial presence abroad and cross-border services trade.

Generally, the lower the incidence of barriers to foreign providers in any particular sector, and across the economy as a whole, the greater the opportunity for exports of services will be.

Source: OECD, Australian Services Trade in the Global Economy, 2018.

## Market potential

Viet Nam’s demand for high quality services is growing alongside its population and economy. The Viet Nam Government has committed significant public expenditure to support growth in services across the economy including in public health, environmental management, education, insurance, and ICT sectors. This is generally supported by policy settings to encourage foreign investment and partnerships with government, including in areas of Australian export capability.



"Captured me playing in the old Chinatown," Ho Chi Minh City  
- by Tony Pham





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