

VIETNAM

Business Conditions Snapshot

- Vietnam has acted quickly and effectively to limit the spread of COVID-19. The government's management of its "twin priorities" of disease control and protecting the economy has positioned Vietnam as one of the few countries in the world expected to experience economic growth in 2020 (GDP grew 2.1 per cent in the first nine months of 2020).
- The National Assembly continues to endorse Vietnam's pre-COVID growth target for 2020 of 6.8 per cent, but this will be difficult to achieve given Vietnam's economy is heavily reliant on external demand and continued global economic uncertainty. That said, Vietnam's economy is likely to perform better than others as the world recovers from the pandemic.
- Vietnam's growth is driven by export-oriented manufacturing, foreign direct investment and strong domestic demand.
- Vietnam's credible, ambitious and Australian-supported plan for economic reform – the *Vietnam 2035 Report* – focuses on the country achieving upper-middle income status by 2035.
- The business environment is steadily improving, with Vietnam's scores in the World Bank's Doing Business index and the World Economic Forum's Global Competitiveness index increasing in recent years.
- Australia is regarded as modern and technologically advanced, with a strong reputation in education, agriculture and food exports.
- There are also barriers for us to work together to address, including improving business enabling environments, non-tariff barriers, and other market access issues and investment restrictions.
- Vietnam is an increasingly globally and regionally integrated economy with a total of 13 trade agreements through its membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Regional Comprehensive Economic Partnership (RCEP), and ASEAN-led and bilateral free trade agreements (including with the European Union, Japan and the Republic of Korea).

Key facts and figures

- Population: 94.6 million (2018)
- GDP growth: 6.5% (2019)
- GDP per capita: US\$2,739.8
- Political system: one-party communist state
- Two-way trade: A\$15.5 billion (2019)
- Key exports: coal, education, iron ore, live animals and wheat
- Key imports: telecommunications equipment, personal travel, footwear, monitors and furniture
- Two-way investment: A\$3.7 billion (2019)
- Aid relationship: A\$78.9 million





Trade and Investment Opportunities

- Vietnam is among Australia's fastest growing major trade partners, with bilateral trade increasing just over 12 per cent a year over the past five years.
 - The country is currently Australia's 13th largest trade partner.
 - Australia and Vietnam have agreed to develop the Enhanced Economic Engagement Strategy to become top 10 trading partners and double investment. Development of the strategy is on track for completion in 2021.
- Vietnam's growing economy and burgeoning middle-class present significant opportunities for Australian business.
 - This includes through our commodities, including coal, LNG, iron ore, wheat and live cattle.
 - Our services industry—including education, professional and technical services—is also well positioned to capitalise on these opportunities.
- Vietnam's foreign direct investment-led growth provides opportunities for Australian companies to increase our modest investment footprint by building on existing Australian investments in:
 - Education (RMIT, Swinburne and UTS).
 - Manufacturing (BlueScope Steel and Austal).
 - Agribusiness (CBH Group and SunRice).
 - Logistics (Linfox and Toll Group).
 - Financial services (ANZ, CBA and QBE).
 - Professional services (Aurecon, Allens Linklaters and CPA Australia).
- Australian companies risk missing out if they are not alert to trade and investment opportunities in Vietnam, as North Asian and European companies are already well-established in the market.
- Vietnamese outward investment is small and concentrated among Vietnam's high net worth individuals and major conglomerates, with increasing interest in commodities.
 - Australia was the most popular destination for outbound Vietnamese investment in 2019, off the back of being the second most popular destination in 2018.
- Our bilateral aid program is a strategic asset and positions Australia as a trusted economic reform partner with a strong track record in:
 - Improving the business environment.
 - Strengthening Vietnam's competition and productivity policies.
 - Increasing the role of the private sector in the economy.



Trade Policy and Negotiations

Vietnam recognises the need to further integrate its economy into global value chains. It has pursued a steady international and regional economic integration agenda through its membership of the World Trade Organization (including the Cairns Group), ASEAN and APEC.

Vietnam is a member of the CPTPP, ASEAN–Australia–New Zealand Free Trade Area Agreement, and the recently signed RCEP.

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This Insight is current as at December 2020.

