

AVPI Policy Briefing

Australian Business Champions to Vietnam Roundtable 1 – Melbourne

July 2022



Australian Government
Department of Foreign Affairs and Trade



Australia Vietnam
Policy Institute

Business Champions



This policy note is delivered by the Australian Business Champions to Vietnam as a reflection of the key themes from the of the Melbourne Roundtable on 25 May 2022. Contributions have been subject to academic review by Professor Mathews Nkhoma, RMIT University.

About the Business Champions Program

The Business Champions are industry leaders who promote trade and investment opportunities to business communities in Australia and Vietnam, fostering greater bilateral leadership, sparking discussion around key sectors, and supporting the Australia-Vietnam Enhanced Economic Engagement Strategy (EEES).

The 2022 Business Champions are Rob Gordon (CEO, SunRice), Martin Bean (former Vice Chancellor, RMIT) and Louise Adams (COO, Aurecon).

The Business Champions Program is funded by the Department of Foreign Affairs and Trade (DFAT) and supported by the Australia Vietnam Policy Institute (AVPI).

Australia Vietnam Policy Institute (AVPI)

The AVPI is the first policy institute focused on Australia's relationship with Vietnam, acting as a partnered public policy hub centred around engagement, collaboration and impact.

The AVPI enables and facilitates discussions on strategic and economic issues in the Australia-Vietnam bilateral relationship. Through disseminating the latest research, identifying upcoming trends and sharing practical insights from people with on-the-ground experience, the AVPI helps to advance a cooperative and secure environment for business and investment.

This activity received grant funding from the Department Of Foreign Affairs And Trade under the Australia-Vietnam Enhanced Economic Engagement Grant Program 2021.

The Melbourne Business Champions Roundtable was organised by the Australian Vietnam Policy Institute (AVPI) as part of its sectoral policy dialogues.

Vietnam Sectoral Dialogues

Roundtables Series

Digital economy, Agriculture, Professional services

Wednesday 25 May 2022 – Hosted in Melbourne

KEY THEMES



Celebrating the reciprocal partnership

Australia and Vietnam's economic relationship has gone from strength to strength. Since the establishment of formal diplomatic relations in 1973, the relationship has been a complementary and reciprocal partnership.

Now heading into its 50-year anniversary of diplomatic relations, Australia and Vietnam's economic partnership is heading into a new era founded on sustainable, inclusive economic growth, a model for reciprocal economic and cultural relationships. This message is reinforced in the Australia-Vietnam Enhanced Economic Engagement Strategy (EEES) and its accompanying Implementation Plan.¹

Australia and Vietnam's economic partnership is not just essential in realising mutually beneficial trade outcomes but in reinforcing prosperity and peace in the region. The complementary partnership underscores the importance of forming trade alliances for economic stability and cultural alliances that strengthen the region's security.

Three key sectors to highlight in Australia and Vietnam's economic relationship are **agribusiness, professional services and the digital economy**. All three sectors are interdependent, capitalising on megatrends in the region.² Megatrends look at the horizon, scanning which technological, social, geopolitical, legal, and environmental trends are likely to create seismic impacts on the economic landscape. Megatrends such as smart cities and the changing workforce are driving integration. These are driven by 'microtrends', such as urbanisation, transport and logistics, climate change and the growth of the Internet of Things.³ The common driver of these microtrends is the increased integration of technology, enablement, supply chain and logistics, and education.

1. Australia-Vietnam Enhanced Economic Engagement Strategy, 2021.

2. Vietnam's Future Digital Economy: Towards 2030 and 2045, 2019.

3. Vietnam's Future Digital Economy: Towards 2030 and 2045, 2019, pg. 48-66.

4. Australia-Vietnam Enhanced Economic Engagement Strategy, 2021.

5. Agriculture in Vietnam, Embassy of the Netherlands in Hanoi and Consulate General in Ho Chi Minh City, August 2017, pg.1.



The growth of the agriculture and agtech industries are the bedrock of Vietnam's social stability within the ASEAN region.⁴ Current Vietnamese Government policy priorities emphasise and support the importance of growing both the volume and value of agricultural products.⁵ As a priority industry in the EEES, opportunities for Australian-Vietnamese agribusiness partnerships focus on sustainability, climate resilience, productivity, food quality and safety.⁶

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Vietnam's Industry 4.0 agenda, which focuses on establishing its digital infrastructure, could draw on Australia's expertise in supply chain and logistics, ICT, cybersecurity and AI, healthcare, and education.⁷ An example of this is Australia's Aus4Innovation program working in partnership with Vietnam's Ministry of Science and Technology. Since 2020 when the program commenced, Vietnam has jumped 14 places in the global Artificial Intelligence (AI) Readiness Index in 2021, now ranking 6th across ASEAN.⁸

6. Accelerating AgTech: Australia's Opportunity in Vietnam, 2021

7. Australia-Vietnam Enhanced Economic Engagement Strategy, 2021.

8. Vietnam improves its use of artificial intelligence in public services, CSIRO, 17 March 2022.

Australia is also undertaking its own journey with an ambitious vision to be a top 10 digital economy and society by 2030 as set out in Australia's Digital Economy Strategy.

Key pillars of this strategy include:

- Developing the right foundations to grow the digital economy
- Building capabilities in emerging technologies and identifying key areas for collaboration
- Investment across the economy to support digital growth.⁹

Advancements within the digital economy are also crucial to the ongoing prosperity of Vietnam and its place within ASEAN.

Key pillars include:

- The establishment of critical ICT and energy infrastructure.
- Upskilling and standardisation of cybersecurity, digital skills, government responsiveness in establishing trade agreements and
- A commitment and openness to reviewing regulatory frameworks, investing in national innovation and taxation reform.¹⁰

Vietnam's entrepreneurial ecosystem is marked by its population growth, young demographic and burgeoning consumer class.¹¹ With its distinctive demographic, Vietnam has become an obvious choice for Australian businesses that are looking to establish centres of excellence in the digital economy in Asia.

There remains significant opportunity for economic integration between Australia and Vietnam.

This opportunity is recognised in the EEES, which sets out a vision for Australia and Vietnam to become top ten trading partners, doubling their two-way investment.¹² However, the partnership goes beyond economic ties. Australian businesses that focus on cultural exchange and people-to-people relationships understand the partnership to be a complementary, reciprocal relationship. This mindset demonstrates a long-term commitment to Vietnam. This mindset commits to developing the region and ensuring its success because it ultimately becomes Australia's success

⁹. Australia's Digital Economy – 2022 update, 2022.

¹⁰. Vietnam's Future Digital Economy: Towards 2030 and 2045, 2019, pg.8.

¹¹. World Economic Outlook Database, International Monetary Fund, 2021.

¹². Australia-Vietnam Enhanced Economic Engagement Strategy, 2021, pg.7.



Upskilling local talent

Moving beyond transactional, economic-focused relationships to people-centric decision-making has been key to developing the two-way trade and investment relationship with Vietnam.

Organisations such as **Aurecon**, an engineering consulting company, have exhibited this cultural and knowledge exchange by embedding Australians into the Vietnamese teams and vice-versa.

Allens, a commercial law firm, is another example of investment into the local talent pool, bringing people along the growth journey and reaping the benefits of an energised workforce. The optimism is contagious, reminding the Australian workforce that the future of Asia is now.

The question for Australian business is, why Australian expertise?

In a globally competitive landscape, Australia is competing with the rest of the world.

It is currently the 13th largest two-way trading partner with Vietnam by value and 20th by total investment in Vietnam.¹³ This question is crucial for the professional services industry that seeks to offer and train the Vietnamese workforce based on learnings from Australian industry expertise and maturity.

One of the major areas of expertise that Australian businesses can offer is the ability to integrate a myriad of industries within the supply chain to work together, underpinned by technological advancements.

Another area of expertise has emerged from Australia's regional positioning and the hurdles that Australia has had to navigate, given the country's size. The pandemic has highlighted the need for logistics expertise across Southeast Asia.

Australian businesses can intentionally train and educate the workforce in Vietnam. This investment is proportional to the opportunity available to

Australian businesses who conduct business in and with Vietnam. There's an openness to learn and a desire to better position Vietnam's exponential rise as a key player in Asia. This investment in teaching and training goes beyond the immediate organisation workforce and contributes to the industry as a whole. The commitment to training the next generation of talent in Vietnam is a marker of loyalty to the region.

Developing a current understanding of Vietnam

Gross domestic product is estimated to grow from 6 per cent to 6.5 per cent in the next twelve months, second only to India (7.5 per cent).¹⁴



This rate of acceleration creates enormous opportunities for Australian **value-added manufacturing, technology, infrastructure investment, and knowledge to drive innovation and development**. Yet the rate of change comes with the risk of becoming outdated quickly. Any preconceived notions about what Vietnam is must be reviewed and updated at the risk of making decisions based on a Vietnam that was. The past two years have catalysed many counter-cyclical industries such as agtech, the digital economy and professional services.

Like Australia, Vietnam is also incredibly multifaceted. Its history, culture and government frameworks need to be respected for its nuanced and complex environment. It is imperative for Australian businesses to orient themselves to the realities of the business and government landscape. **The focus firmly remains on partnership and supporting both the Vietnamese national priorities and the regional priorities.**

A deeper understanding of the **cultural nuances** and ways of doing business in various parts of Vietnam is also sorely needed, with a large gap between sophisticated Australian businesses and those who 'just rock up' in the region. The first step is to **increase awareness of the opportunities in Vietnam**. The EEES sets the landscape; however, deep dives by industry are required to bring awareness of what's possible for Australian-Vietnamese partnerships. Industry Growth Centres can play a key role in facilitating awareness within their sectors.¹⁵

There's also an opportunity to assist Australian businesses to develop strategic nous when entering Vietnam as a new market. For example, it may be as simple as **learning and understanding Vietnamese culture and business etiquette**. It could be **knowledge about the zoning for hi-tech agriculture in Vietnam or key agtech firms strategically investing in the region**.¹⁶

One of the biggest wrestles for Australian businesses operating in such a dynamic environment is managing short-term objectives and expectations of both the Australian and Vietnamese stakeholders with the long-term commitment required to develop the depth of understanding and relationships in the region.

¹³ Australia-Vietnam Enhanced Economic Engagement Strategy, 2021.

¹⁴ Vietnam sees GDP growth accelerating on vaccines, manufacturing, Bloomberg: Asia edition, 29 March 2022.

¹⁵ Department of Industry, Science, Energy and Resources, 2021. – Industry Growth Centres are an initiative of the Department of Industry, Science, Energy and Resources, driving innovation, productivity and competitiveness in six key growth industry sectors.

¹⁶ Why the Agtech industry will aid Vietnam's hi-tech growth, 2021.



'The whole is greater than the sum of its parts'

- Aristotle

START-UP ECOSYSTEM IN VIETNAM

Putting our best (coordinated) foot forward

'The whole is greater than the sum of its parts', stated Aristotle. Yet Australian businesses are investing approximately **A\$1.38 billion into Vietnam annually**—each going out on its own.¹⁷

In a federated system, coordinating those activities and the competitive advantages Australia can bring to the region is incredibly challenging. There is an opportunity for both business and government to consider how to communicate Australia's trade and investment activities to share knowledge and coordinate across Australia's states and territories. This will enable a united front in the Australian-Vietnam relationship.

This is particularly relevant for agriculture and agtech, professional services and businesses operating in the digital economy. In these sectors, multilateral partnerships across government, quasi-government and commercial entities are key to solving large-scale economic problems and making the most of the opportunities that a partnership with Vietnam presents. Both Australian and Vietnamese government relationships can play a coordination role, facilitating partnerships and creating an incubator environment for enterprises to flourish. Complex problems require a multi-disciplinary approach, opening the way for Australian businesses to consider cross-industry partnerships with each other in a co-designed method to realise the growth opportunities in Vietnam. One way to realise this is the establishment of a national trade and investment body that provides a communication channel, or could even coordinate, business, government and quasi-government activities between Australia and Vietnam.



¹⁷ Australia-Vietnam Enhanced Economic Engagement Strategy, 2021.

Emerging Insights

Australian and Vietnamese businesses

Celebrating the reciprocal partnership

Both Australia and Vietnam have much to learn from each other. There is a uniquely interwoven reciprocal relationship between Australia and Vietnam's economic strengths and a combination of cultural compatibilities that lend itself to joint problem-solving. Australian businesses have an opportunity to play a strategic role in the region. By thinking bigger, Australian businesses can be a convening power, contributing their expertise, partnerships, and networks to solving global and regional challenges with their Vietnamese counterparts.

Skillset: Investing in local talent

Investing in local talent signals long-term commitment to the reciprocal relationship between Australia and Vietnam. Australian businesses should consider investing in recent graduates who are bi-cultural, strengthening the partnership between Australia and Vietnam at a grassroots level. The Vietnamese workforce is young, dynamic and ready to transform the Vietnamese industry. Digitally engaged with one of the highest internet penetration rates in Southeast Asia, Vietnam has over 68 million people online.¹⁸ Australian businesses investing in the country's intellectual infrastructure are committing to growing internal Vietnamese talent and skill set.



¹⁸. Vietnam Country Starter Pack, 2021, pg. 5.

Australian Government

Removing barriers to entry (skilled migration)

Moving toward greater openness in visa arrangements, opportunities for longer-term visas and better post-graduation and post-study pathways to work are all elements of the current immigration policy landscape that the Australian Government may consider to better position Australia's engagement with Vietnam. Addressing the broader context, such as promotion of skilled migration and education opportunities are rewarded with rich knowledge exchange and economic advancement.



Vietnamese Government

Governance and regulatory frameworks

A challenge identified by some Australian businesses was the ability to understand the complex regulatory frameworks. The call was for a government-to-government partnership to assist businesses in navigating the current regulatory pathways and learning from one another. Since joining the World Trade Organisation in 2007, Vietnam's economy has been increasingly liberalised. The Law on Investments details all the regulations for foreign investments in Vietnam – with market regulations being regularly updated. However, complexities still remain, with Vietnam ranking 70 among 190 economies in the ease of doing business. Starting a business can remain particularly complex (ranked 115).

Team Australia – putting our best (coordinated) foot forward

Establishing a trade and investment Commonwealth group across all states, territories, and industry bodies ensures greater coordination of trade and investment activities between Australia and Vietnam. With a robust framework behind it – mitigating personality-driven collectives – Australia can put its best, coordinated foot forward in both government-to-government and business-to-business relations. This national solution can enable knowledge sharing across and within industry sectors to both navigate the Australian-Vietnam relationship and present a joint Australia-Vietnam partnership to the region. Once established, organisations such as the Australia-Vietnam Policy Institute can support and resource the national trade and investment committee for Australia-Vietnam relations. This could work as part of the broader ecosystem of support and training for Australian businesses looking to engage in and with Vietnam and see the advancement of goals set out in the EEES.

¹⁹. The Ease of Doing Business index 2020, The World Bank, n.d.

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Images

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Acknowledgements

The Australia Vietnam Policy Institute acknowledges the support of the Australian Department of Foreign Affairs and Trade (DFAT).



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