

This policy note captures insights from the Australia Vietnam Business Champion Roundtable held in Sydney on 27 July 2022, with support from the Australia Vietnam Policy Institute (AVPI). Hosted by Rob Gordon, CEO, SunRice at King & Wood Mallesons in Sydney's CBD, this Roundtable brought together 27 participants and 7 observers from the agriculture, not-for-profit, consulting, media, digital economy, education, legal, technology and government sectors.

These businesses, whether they already have operations in Vietnam or are looking to expand into Vietnam, came together with the common objective of discussing the opportunity Vietnam presents, the challenges of doing business in Vietnam, and the solutions to these challenges. This open, honest and passionate discussion allowed these participants to explore a new network of businesses who operate in Vietnam, and professionals who have unique perspectives on the trade and investment relationship. The key themes and emerging insights are a direct result of the conversations held at this event, and are a reflection of the experiences in the room.

About the Business Champions

Under the Australia Vietnam Enhanced Economic Engagement Strategy (EEES) launched by governments in November 2021, Australia and Vietnam have appointed Business Champions as industry leaders to promote trade and investment opportunities to business communities in Australia and Vietnam and discussions in key sectors.

The 2022 Australian Business Champions to Vietnam are Rob Gordon (CEO, SunRice), Martin Bean (CEO, The Bean Centre and former Vice Chancellor, RMIT University) and Louise Adams (COO, Aurecon), who represent the agriculture, digital economy and professional services sectors, respectively.

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.

Vietnam Sectoral Dialogues

Roundtables Series

27 July 2022

Hosted in Sydney by Rob Gordon and Martin Bean, with Louise Adams facilitating virtually.

KEY THEMES











Vietnam as the gateway to Asia

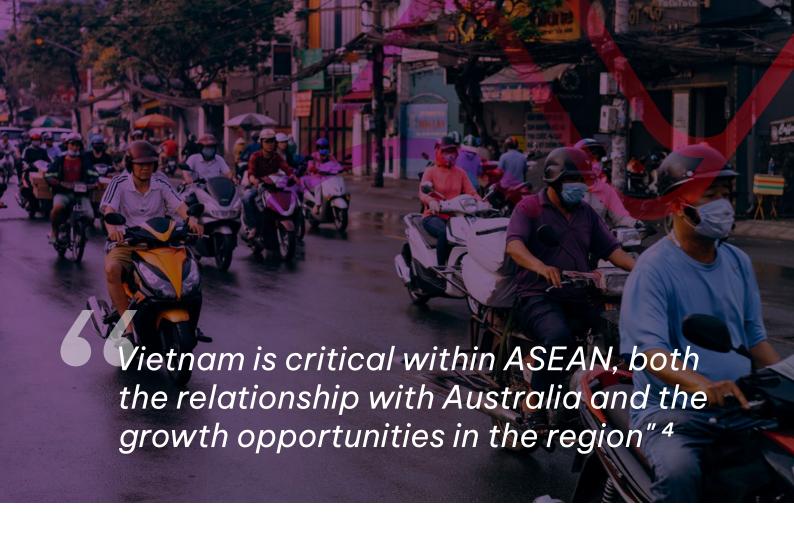
Vietnam's middle-class population is the fastest growing among its Southeast Asian neighbours. There is consequently a strong and growing demand for Australian produce, creating significant opportunities for organisations that export energy, dairy, meat, consumer goods, wheat and grains, machinery, and professional services. 2

Australia has traditionally relied on the trade and investment relationship with China to purchase exports such as wool and cotton. Shifting trends in the Australia–China trade relationship have required Australian producers to seek alternative markets for their goods, diversifying their risk across their logistics and supply chain. Vietnam is well placed to import greater amounts of these raw materials – as its textile and associated industries continue to grow. "The Vietnam textile industry is expected to grow at a compound annual growth rate of 10.82%, in terms of revenue, during the forecast period, 2018–2023". Additionally, Vietnam's proximity to Australia and geographic position within the Southeast Asia context make it an ideal gateway to other nations for Australian exports, particularly for agricultural produce. Existing export channels accessible from Vietnam could be used to open new opportunities for Australian businesses.

A barrier to Australian involvement in the Vietnam enterprise ecosystem is a lack of brand awareness. Australia is not currently perceived by Vietnamese nationals as a country associated with future economic growth. There is broad, global interest in Vietnam and intensive investment competition. Nations such as the United States and countries within Europe have traditionally been those to whom Vietnam looked as emulating and holding the keys to the future. Trade agreements and investments are often prioritised in this direction, influencing local businesses to pursue similar avenues.

Developing and strengthening messaging around Australia's strategic advantage is key to long term partnership and mutual economic uplift.

- 1. "BMI Market Report Vietnam," BMI Global Ed.
- 2. Department of Foreign Affairs and Trade, "Vietnam Country Brief," Australian Government, (2022).
- $\underline{3}$. Mordor Intelligence. "Vietnam Textile Industry—Segmented by Type—Growth Trends and Forecasts" (2020–2025).



However, there are further material challenges engaging in trade with Vietnam which can be prohibitive for Australian companies.

Regulatory and customs issues create uncertainty surrounding production and delivery timelines, with severe delays leading to the destruction of products with a limited shelf-life. This presents a significant barrier to Australian companies considering exporting to or through Vietnamese ports.



Greater clarity of customs regulations and assurances of strict timelines for the clearance of consumable goods are required to make Vietnam an attractive market for Australian exporters. Advisory bodies dedicated to assisting Australian companies in navigating Vietnamese customs regulations would help to encourage businesses to enter the market.

 $\underline{4}$ Industry participant in Australia Vietnam Business Champion Sydney Roundtable, 27 July 2022.

Fostering relationships of trust

Australia and Vietnam have formed a strategic partnership "on the basis of mutual trust, understanding and respect."⁵

Whilst public sentiment towards Australians in Vietnam is broadly positive, there are still barriers in the relationship due to ignorance of historical and political sensitivities, linguistic barriers, and poor cross-cultural communication. All these aspects still pose significant challenges to greater economic and industry cooperation. Viewed in a different light, they are also opportunities for Australian businesses to deepen the cultural and historical understanding of the relationship, drawing on the rich heritage of Australia's Vietnamese diaspora.

In the 2021 census, 320,758 Australians identified Vietnamese as the language they spoke at home, an increase of 15.6% on the 2016 Census.⁶ Vietnamese is now one of the top 4 languages spoken at home in Australia other than English (1.3% of the population). The growing Vietnamese diaspora in Australia represents a unique leverage point to continue to engage crossculturally to further develop relationships of trust, respect and cooperation. However, several intergenerational hurdles will need to be overcome in order to engage Vietnamese–Australians to help cross the cultural divide.

A study of the Vietnamese diaspora in Australia revealed that "visitation rates (to Vietnam) are not high with only 14 per cent visiting every year." Although many younger Vietnamese Australians express enthusiasm for engaging with their cultural heritage, older generations of Vietnamese migrants have been



Inclusion of young entrepreneurs in ministerial trade visits to Vietnam is so important, there is so much young talent and small to medium enterprises in both countries that should be fostered as they are the leaders of the future" 7

- 5. Department of Foreign Affairs and Trade, "Australia-Vietnam Enhanced Economic Engagement Strategy, Australian Government (2021).
- 6. "SBS Australian Census Explorer Vietnamese", SBS Census Explorer, (2021).
- 7. Industry participant in Australia Vietnam Business Champion Sydney Roundtable, 27 July 2022.

seen to oppose the return of their children to Vietnam due to the circumstances surrounding their departure from their home country or because of the current political environment.8

Conversely, this can build a perception that returning members of the diaspora are opportunistic, only returning to Vietnam now that it enjoys political stability and a growing economy. This can cause feelings of resentment, particularly when Vietnamese Australians are brought in to manage local workforces. These are complex generational challenges that will require a long-game mentality from both the Australian and Vietnamese individuals, governments and organisations seeking to build relationships between the Australian and Vietnamese economies.



To leverage the opportunities vested in the diaspora, organisations and businesses will need to work constructively with Australian-Vietnamese communities to build trusting partnerships within local supply chains and structure meaningful, long-term investments.

The Australia Vietnam Leadership Dialogue is a notable example of this, highlighting and fostering connection between young Australian-Vietnamese business leaders and business communities in both Australia and Vietnam.

All relationships are built on the bedrock of trust. Unfortunately, **the mixed success of past approaches by global players** has undermined the reputation of international organisations and businesses seeking to engage locally in Vietnam and led to a degree of cynicism towards foreign investment. As a result, Australian businesses and organisations entering the Vietnamese market have a high burden of proof necessary to support their product before they can generate local interest and investment.

In particular, the establishment of a trust-based relationship can pose challenges when introducing innovative technologies. Although there are seed-funding and grant opportunities available for Australian businesses seeking to enter Asian markets, companies report experiencing significant difficulties identifying and accessing these opportunities to support their ventures. Organisations such as Austrade can assist in navigating these complex regulatory markets, but it takes a long-term commitment to secure trust-based relationships without the facilitation of groups and individuals who already have established networks and partnerships.

There are several non-government organisations (NGOs) and peak organisations with a long history of engaging positively with the Vietnamese government and local communities. Charities such as World Vision, CARE and Fred Hollows Foundation have been active in Vietnam for more than thirty years. **These organisations present alternative partnership and consultation opportunities to unlock relationships for Australian enterprises to successfully engage in the Vietnam.**

8 "The Vietnamese Diaspora in Australia: Current and Potential Links with the Homeland", (2012).

Leveraging market opportunities

There is a considerable untapped opportunity for reciprocal knowledge sharing between small and medium-sized enterprises (SMEs).

The 2018 SME Support Policy is already encouraging efficiencies within the operations of SMEs in Vietnam. SMEs are in a unique position to be able to pivot to new market opportunities due to their smaller size⁹ – and the market effects due to COVID-19 have shown the advantages of companies able to change direction quickly: "Firms that survived the COVID-19 crises... tend to be innovators, use digital technology, and operate in less burdensome business environments". Additionally, the growth of Ecommerce – a counter-cyclical industry player – has enabled smaller companies to have a greater impact than before.

SME investment can be seen as mutually beneficial, with Australian SMEs being able to harness manufacturing capabilities in Vietnam that are not available or outpriced within Australia.



There is an inverse opportunity for Vietnamese companies to use Australia as a manufacturing base, such as in the pharmaceutical industry, where products can be manufactured in Australia, approved by Therapeutic Goods Administration standards, and then exported back to Vietnam.

Both Australian and Vietnamese businesses can leverage the advantages provided by each countries' manufacturing capabilities and strengths.

This space, however, is not without its difficulties. SMEs are often not well placed or resourced to find opportunities internationally and capitalise on them. Personnel and finances are required to ensure partnerships and businesses are profitable; language, culture and regulatory requirements are often inhibitors. Government support on both sides is required to encourage SMEs and help to create market opportunities for growth.

⁹ OECD, "Studies on SMEs and Entrepreneurship SME and Entrepreneurship Policy in Viet Nam", OECD, (2021).

¹⁰ Jolevski, Filip., et al, "Surviving the Pandemic: A Business Perspective", World Bank (2021).

There is not enough international focused investment support on the ground, the more that all of us can be spending time connecting and building relationships, the better it will be to actually engage in investment on the ground" 11

Positive steps to address this discrepancy are already being made, such as the appointment of Australian trade representatives and the network of State and Commonwealth trade and investment commissioners focused on promoting Australia to become one of Vietnam's top ten trading partners. However, brand awareness could be further promoted by increasing the number of Vietnamese delegations to Australia, highlighting investment opportunities within Australia, increasing already strong diplomatic ties, and leveraging the higher education space. Australian businesses and organisations in Vietnam could be encouraged to incorporate branding (e.g., a 'Brand Australia' logo) that highlights their Australian credentials and to host or participate in conferences and networking events for Australian and Vietnamese entrepreneurs. 'Brand Australia' is needed now more than ever to highlight Australia as the first choice for investment, tourism, education, and business.¹²



11 Industry participant in Australia Vietnam Business Champion Sydney Roundtable, 27 July 2022.

12 Australian Trade and Investment Commission (Austrade), "Australia's Nation Brand", Australian Government, (2022).



Wietnamese are hungry for skills, especially in AI and digital to meet demand that is already there" 13

¹³ Industry participant in Australia Vietnam Business Champion Sydney Roundtable, 27 July 2022.

Partnership to improve managerial capability

Skill shortages in higher levels of management in Vietnam are a significant barrier to addressing shortfalls in manufacturing processes.¹⁴

There can be issues in the production process of Vietnamese companies that negatively impact the quality of Vietnamese goods. There is growing demand for Vietnamese products due to a rise in the Vietnamese middle class and rapid growth in Ecommerce. Australia has technically trained professionals, providing the opportunity to foster growth in Vietnamese industries, a key goal of Australia's Vietnam Market Action Plan.¹⁵

Australian industries are well positioned to offer technical support and investment to facilitate necessary up-skilling and technological development to raise Vietnamese production to export standards.

There are several approaches to achieving this. Organisations could be incentivised to invest in their Vietnamese workforce by training and mentoring their management-level employees in Australia or Australian-run institutions before they take on operational roles in Vietnam through industry partnerships with TAFE or Higher Education institutions. Vietnamese managers would then be equipped with the in-context experience and technical skills necessary to improve production processes in Vietnamese factories and would have the additional benefit of creating strong ties between Australian and Vietnamese industries and open new pathways for cooperation, partnership, and innovation.

There is also the potential for communities such as the Australia Vietnam Policy Institute (AVPI), to engage in facilitating further conversations surrounding training. AVPI is engaging educational, industry and government groups to form strong industry-focused partnerships to facilitate training in transformational leadership, strategic thinking, and innovation.

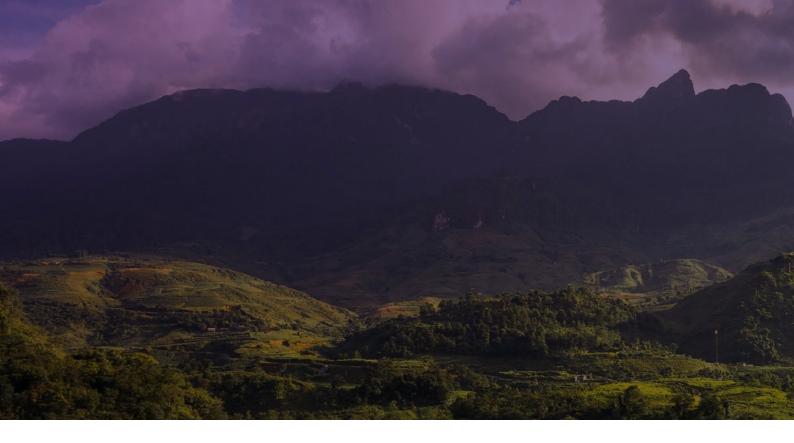
Stepping up Australia's involvement in identifying market opportunities and equipping Australian–Vietnamese organisations to capitalise on these opportunities would both assist in expanding Vietnam's skilled workforce whilst creating new growth opportunities for Australian education institutions. As Vietnam is Australia's sixth largest source for international students¹⁶ this represents a considerable market opportunity for both onshore and offshore education.

These methodologies are not without their own challenges; the complexity and expense of visa processes in both countries, closures due to the COVID-19 pandemic and cultural and linguistic barriers will need to be addressed.

^{14 &}quot;Vocational and skill shortages in Vietnamese manufacturing and service sectors, and some plausible solutions," Asia Pacific Journal of Human Resources 51, no. 2 (2013).

¹⁵ Australian Trade and Investment Commission (Austrade), "Market Action Plan-Vietnam", Australian Government, (2019).

¹⁶ Australian Trade and Investment Commission (Austrade), "Australia's Nation Brand", Australian Government, (2022).



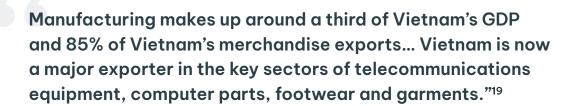
START-UP ECOSYSTEM IN VIETNAM

Employment mobility

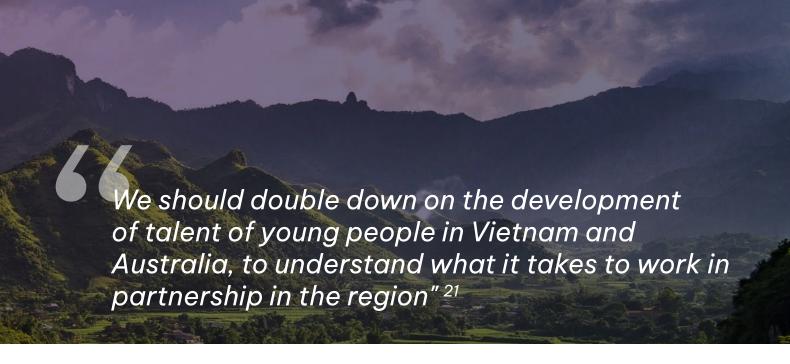
Australia and Vietnam are **priority education partners**. benefiting from the mutual exchange of skills and expertise.¹⁷

Leading Australian education providers such as RMIT University and Western Sydney University have developed a strong presence in-country. RMIT in Vietnam, established in 2000, and Western Sydney University's partnership with the University of Economics, Ho Chi Minh City since 2008, represent an extraordinary opportunity to further develop interoperable qualifications and education strategies, research, and innovation collaborations.18

With changing trade and investment trends in the Indo-Pacific, Vietnam represents a new avenue for increased manufacturing and technological innovation.



- 17 Export Finance Australia, "Vietnam Feb 2022", Australian Government.
- 18 Department of Foreign Affairs and Trade, "Australia Vietnam Enhanced Economic Engagement Strategy, Australian Government (2021).
- 19 The Australian Chamber of Commerce in Vietnam, "Western Sydney University." AusCham, (2021).



Recognising Australia's offering of world-class education and quality standards, now is the time to invest in the upskilling of the Vietnamese workforce to increase its capacity to meet growing demands and Australian manufacturing standards. This investment should be forward-thinking and long-term, anticipating the market growth to be expected from the continuing engagement between the two economies.

Despite a young and increasingly skilled Vietnamese population and a growing demand for migrant labour across all sectors of the Australian economy (skilled and unskilled), businesses in both countries report barriers to migration as a leading challenge to attaining education and training objectives.

This issue is further exacerbated by discrepancies in qualifications between the two nations.

Background screening companies such as VerifyNow (a Vietnamese-Australian owned and operated organisation) assist Australian businesses and institutions to confirm the credentials of international workers. VerifyNow provides a range of background services, from criminal history checks and identity verification to financial regulatory and employment checks for applicants applying for roles across a range of industries.

However, there are still complexities and differences in standards between Australian and Vietnamese institutions that present an insurmountable barrier to workers seeking to contribute their skills overseas who do not possess transferable credentials from a reputable university.

Increasing labour mobility whilst maintaining crucial industry standards will be central to meeting growing labour demands in Australia. Further investment in Vietnamese training and education institutions and aligning credentialing and educational standards will play a key role in this process.²¹

20. Industry participant in Australia Vietnam Business Champion Sydney Roundtable, 27 July 2022.

21. Department of Foreign Affairs and Trade, "Australia—Vietnam Enhanced Economic Engagement Strategy, Australian Government (2021).

Emerging Insights

Australian Businesses

Engaging the Australian-Vietnamese diaspora

Australian organisations should harness the intercultural expertise vested in members of the Vietnamese diaspora to address cultural and linguistic challenges when developing local relationships. Additionally, there are several trusted Australian NGOs and peak organisations, such as World Vision CARE and The Fred Hollows **Foundation** that could be partnered with to unlock relationships.

Harnessing SME networks and know-how

The OECD estimates SMEs represent around 97% to 99% of the enterprise population in most ASEAN countries.²² This presents an exciting opportunity for Australian SME businesses seeking to enter the Vietnamese market through partnership with likefor-like businesses. This is a considerable untapped opportunity for SMEs regarding Australian foreign investment in Vietnam with numerous state based and Commonwealth trade organisations positioned to support connection and foster long term relationships for trade, investment and growth.

Strengthening the gateway

In manufacturing, shifting trends in the Australia-China trade and investment relationship mean that now is the time to advantageously invest in the upskilling of the Vietnamese workforce and manufacturing infrastructure to increase the productive capacity of the Vietnamese economy to meet growing demands and Australian import standards. Vietnam's geographic location makes it a potential gateway to other Asian markets for Australian manufacturing and agricultural products.

Fostering educational bridges

Vietnam's burgeoning middle-class presents an opportunity for Australian educational institutions to continue to invest in, develop, and strengthen local campuses and new program offerings. Education needs to highlight best-practice that is already being offered in Vietnam, offering skills development that is culturally relevant, sensitive, and aware of showcasing the incredible talent, case studies and offerings that already exist in Vietnam.



22 OECD, "Promoting the productivity of SMEs in ASEAN countries", (2021).

Australian Government

Building 'Brand Australia' awareness

Australia is not currently perceived by Vietnamese nationals as a country associated with the future and economic growth. A barrier to Australian involvement in the Vietnamese SME/start-up space and broader Vietnamese entrepreneurship ecosystem is a lack of brand awareness. Government support on both sides is required to encourage SMEs and help to create market opportunities for growth. Increasing awareness of 'Brand Australia' could be achieved by increasing the number of Vietnamese delegations to Australia, showcasing investment opportunities within Australia, increasing already strong diplomatic ties, and leveraging the higher education space.



Championing labour mobility

Businesses in both Australia and Vietnam report barriers to migration as a leading challenge to attaining education and training objectives towards a skilled workforce. Government support to increase labour mobility whilst maintaining crucial industry standards will be central to meeting growing demands.

Vietnamese Government

Greater regulatory clarity and improved supportive architecture

The regulatory challenges of engaging in trade with Vietnam often create difficulties for organisations and individuals, which can be prohibitive for Australian businesses transacting in consumable goods. Customs processing times and complexity create uncertainty surrounding production and delivery timelines with unforeseen and severe delays eroding the value or leading to the destruction of products with a limited shelf-life. This presents a significant barrier to Australian companies considering trade to or through Vietnamese ports. Improved processes greater clarity of customs regulations and assurances of strict timelines for the clearance of consumable goods would make Vietnam a more attractive market for Australian exporters.

There is an opportunity for advisory bodies, formed through Australian-Vietnamese collaboration and dedicated to assisting Australian businesses in navigating Vietnamese customs regulations, to help to encourage businesses to enter the market.



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Images

lan/Unsplash.

Markus Winkler/Pexels, Q. Hung Pham/Pexels \.

Nguyen Quang Ngoc Tonkin. Aerial view of the Golden Bridge is lifted by two giant hands in the tourist resort on Ba Na Hill in Da Nang, Vietnam. Ba Na mountain resort is a favourite destination for tourists. N.d. Photograph. Shuttershock. Web. 01 Sep 2022.

All other images in this policy brief are of participants who attended the Australia Vietnam Business Champion Roundtable in Sydney on 27 July 2022. All photos we're taken with permission and are owned by the Australia Vietnam Policy Institute (AVPI).

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