

A Review of the Strategic and Economic Relationship between Australia and Vietnam

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In March this year, Australia and Vietnam elevated their relationship to a “Comprehensive Strategic Partnership”, whereby both parties agreed to expand the framework to promote further collaboration across business sectors and people-to-people links. This Comprehensive Strategic Partnership promises a significant upgrade in all aspects of the relationship as the two countries aim to become important economic partners, targeting a spot in each other’s top 10 two-way trade turnover.

The joint statement made by His Excellency Anthony Albanese, Prime Minister of Australia, and His Excellency Pham Minh Chinh, Prime Minister of Vietnam on the occasion included six key objectives: (1) deepening political, defence security and justice cooperation; (2) enhancing economic engagement; (3) building knowledge and connecting people; (4) strengthening climate, environment and energy cooperation; (5) supporting science, technology, innovation and developing digital transformation; and (6) reinforcing regional and international cooperation.

In other words, Vietnam and Australia will commit to work closely on matters concerning Vietnam’s education and training, environment, green hydrogen production, and Vietnam’s ‘Net Zero by 2050’ goal, in which Australia agrees to promote investment within these objectives.

This article seeks to review the strategic and economic relationship between Australia and Vietnam, and how they have impacted bilateral trade, investment and mergers and acquisitions (M&A) activities to promote economic growth and support employment between the two countries.

Trade relations surge amid active free trade agreements

Despite being a long-time partner, trade relations between Vietnam and Australia only began to accelerate in 2010 with the establishment of the ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA). It has grown more significant with the help of the Comprehensive and Progressive Agreement for Trans–Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP).

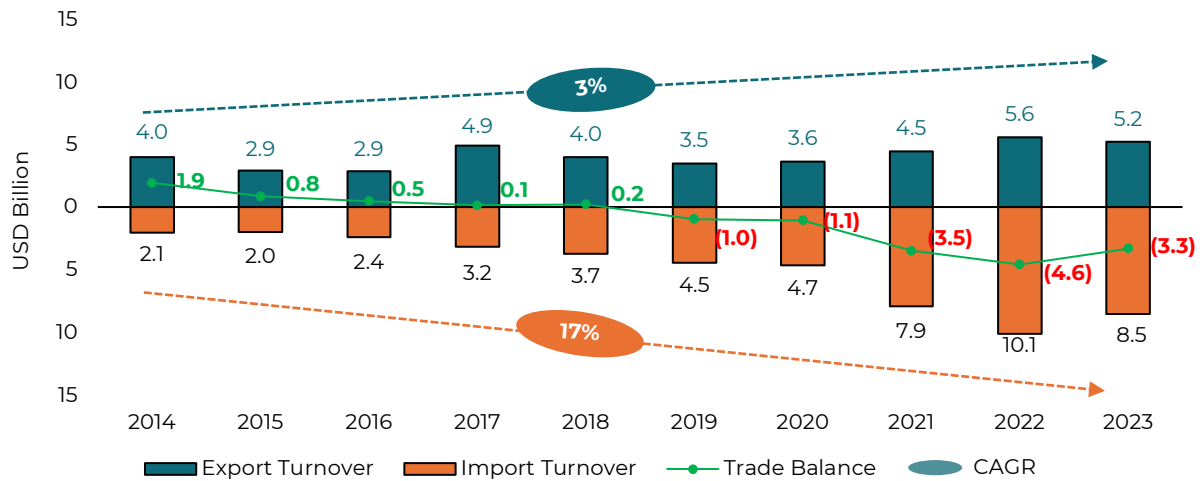
In the first nine months of 2024, Vietnam exports to Australia reached USD5.04 billion in value, up from USD3.91 billion for the same period in 2023, a 29% y-o-y increase. In 2023, exports to Australia totaled USD5.2 billion, representing a compound annual growth rate (CAGR) of 3% from 2014 to 2023 (General Statistic Office, 2024).

Vietnam imports from Australia for the first nine months of 2024 reached a value of USD5.8 billion, down from USD6.37 billion during the same period in 2023, an 8.4% y-o-y decrease. In 2023, Vietnam imports from Australia totaled USD8.5 billion, down from USD10.1 billion in 2022, representing a 16%

y-o-y decrease, while the compound annual growth rate of imports from Australia from 2014 to 2023 was 17% (General Statistic Office, 2024).

Vietnam has recorded a trade deficit with Australia since 2019, peaking in 2022 with a trade deficit of USD4.6 billion. Before 2019, Vietnam consistently recorded trade surpluses with Australia, albeit years leading up to 2019 shows the tightening of the trade surplus.

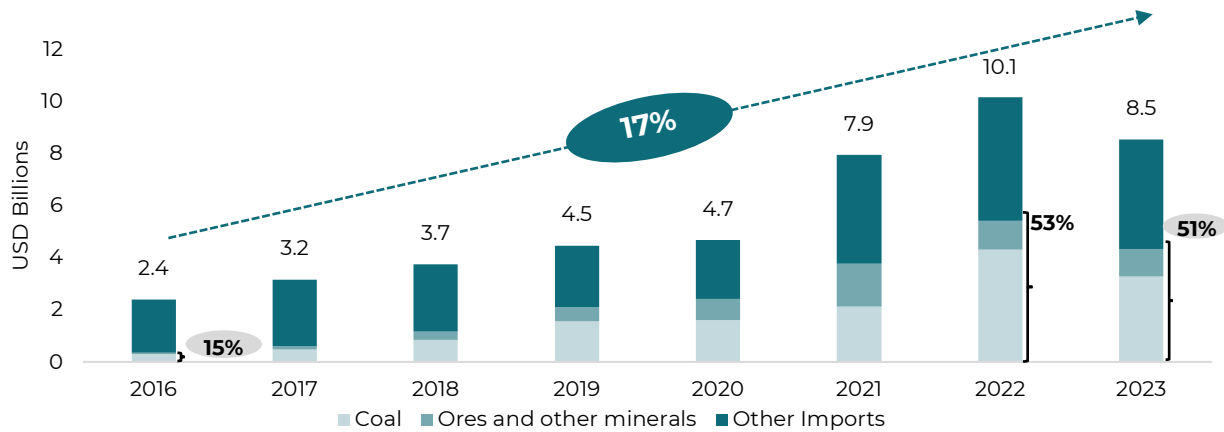
VIETNAM & AUSTRALIA TRADE ACTIVITIES 2014-2023



Source: General Statistic Office, 2023, ASART analysis

Vietnam has been increasing the total amount of coal, ores, and other minerals imported from Australia over the years, with a significant increase from 2019 onwards at a compounded annual growth rate of 43% from 2016 to 2023. In 2016, coal, ores, and other minerals only accounted for 15% of Vietnam’s total imports from Australia and the number has since increased to 53% in 2022 and 51% in 2023, which could be the explanation for the increased trade deficit.

IMPORT TURNOVER FROM AUSTRALIA BY CATEGORY 2016-2023



Source: General Statistic Office, 2023, ASART analysis

Mutual investment boosted through diverse projects and FDI

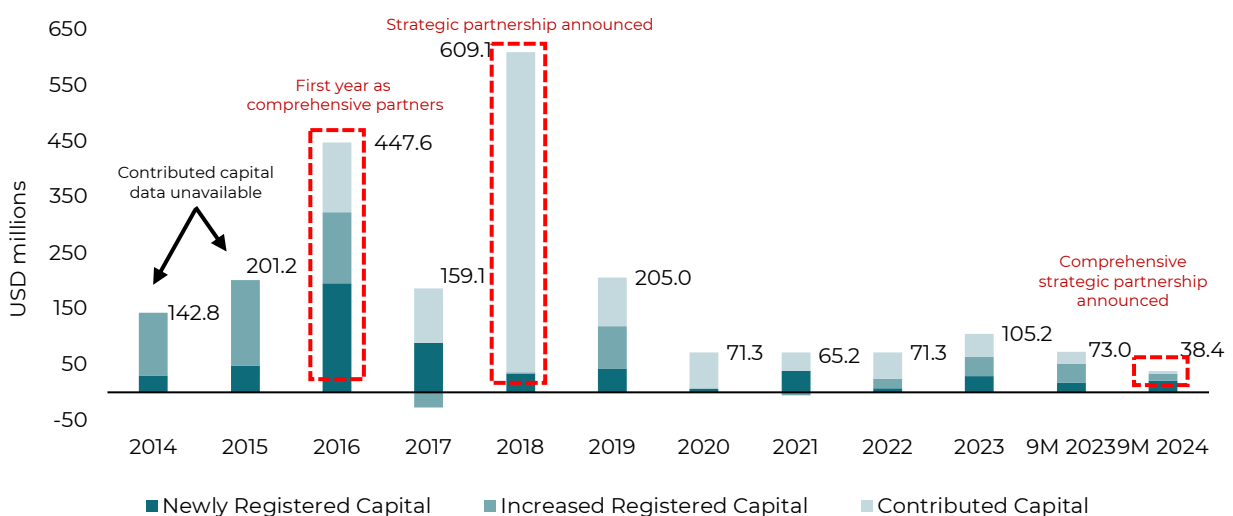
In addition to their bilateral trade activities, Vietnam and Australia have also accelerated to invest in each other through various projects and foreign direct investments (FDI), a commitment that has brought a wider range of Australian businesses to Vietnam and vice versa.

Australia is ranked as the 20th largest foreign investor in Vietnam out of 146 countries and territories, and there is still room for more cooperation. According to the Ministry of Planning and Investment, Australia has invested a total of USD2.1 billion in total registered capital in Vietnam across 631 projects, 45 cities and provinces, and 18 primary industries. In the first six months of 2024, Vietnam attracted about USD25.2 million newly registered capital from Australia, 25% more compared to the same period in 2023, when the number was only at USD20.4 million. Nevertheless, it's still a modest number compared to the established relationship and commitment the two countries have to each other (Ministry of Planning and Investment, 2024).

The primary industries and sectors in Vietnam receiving the majority of FDI from Australia include manufacturing, natural resources and renewable energy, agriculture, infrastructure, and economic development. Notably, Austal, VMS, and Midway Metals have invested in many manufacturing projects in Vietnam. RMIT, ANZ, and BlueScope, among others, have invested in infrastructure and economic development projects within Vietnam.

Vietnam in return has invested roughly USD570 million into Australia, coming from leading Vietnamese groups such as Hoa Phat Group and TH Group, who focus on resources and livestock (Foreign Investment Agency, 2023). For Australia to become a leader of renewable energy and other primary industries and sectors, it will require investments from both domestic and international markets, and Vietnam is playing an increasingly active role.

FDI FROM AUSTRALIA 2014 – 9M2024



Source: Ministry of Planning and Investment, 2024, ASART analysis

M&A activities remain low, however notable and strategic since 1992

From 1992 until now, there have been a modest number of 36 merger and acquisition (M&A) deals between Vietnam and Australia, with a disclosed value of approximately USD322 million (from 15 deals). M&A activities between the two countries remain low, however notable and strategic. About 78% of M&A activities are strategic, 11% are financial and 11% are asset acquisition (Eikon Refinitiv, 2024).

Top disclosed inbound deals include:

Big Bear Offshore: The first M&A deal between Australia and Vietnam, a group of Australian investors acquired the Big Bear Offshore field from VietsovPetro with an undisclosed value in 1992.

SSI: ANZ, a multinational banking and financial services company from Australia, acquired a 10% stake in SSI for USD88 million in 2008, marking this the largest disclosed M&A transaction to occur between Australia and Vietnam.

Pacific Airlines: The Vietnamese government sold 30% of its shares of Pacific Airlines to Qantas, an Australian flag carrier in 2008. Years later, Vietnam Airlines became a majority shareholder of Jetstar Pacific, owning a 68% stake of the company, before acquiring Qantas' 30% stake in 2020. Since 2020, Vietnam Airlines has changed the name of the airline back to its original name, "Pacific Airlines".

VIB: Commonwealth, a multinational bank in Australia, acquired a 5% stake in VIB, a leading joint stock bank in Vietnam, for USD54 million in 2010. Later, Commonwealth sold all its branches located in Vietnam to VIB in 2017.

AAA Insurance: In late 2021, the Ministry of Finance approved an application brought by Bamboo Capital Group (BCG), BCG Financial Joint Stock Company, and Australian Insurance Group (AIG), where BCG agreed to purchase AIG's 80.64% stake of AAA Insurance. Since then, the deal has been completed and BCG has replaced AIG as the majority owner of AAA Insurance.

M&A TRANSACTIONS FROM AUSTRALIAN INVESTORS SINCE 1992						
No.	Date	Investor	Target	Deal Value (USDm)	Percentage sought (%)	Investor type
1	Dec 1992	Investor Group (Broken Hill, Petronas, VietsovPetro, and Total and Sumitomo)	PetroVietnam - Big Bear Offshore Field (Vietnam)	Undisclosed	Undisclosed	Strategic
2	Jan 1994	Investor Group (Alex McKinnon and Chris Dawe)	Vietnam Investment Review	Undisclosed	46.00	Strategic
3	May 1994	Australian Consolidated Press	Vietnam Investment Review	1.10	46.00	Strategic
4	Apr 1996	North Star Resources NL - Vietnam Mineral Projects	Indochina Goldfields - Vietnam Mineral Projects	Undisclosed	Undisclosed	Strategic
5	Jul 1996	Greater Indochina Investments	Vietnam Investment Group Ltd - Hong Kong	2.57	30.00	Financial
6	Oct 1997	Fosters Brewing Group	Brasseries et Glacieres Internationales - Breweries	56.90	100.00	Strategic

7	Jul 2002	Foster's Group	Danang (Song Han) State Brewery - Brewery Assets & Brand License	4.67	100.00	Strategic
8	Mar 2005	Australia & New Zealand Banking Group	Saigon Thuong Tin Commercial Joint Stock Bank	27.09	Undisclosed	Strategic
9	Nov 2005	Australia & New Zealand Banking Group	Asia Commercial Joint Stock Bank	Undisclosed	8.50	Strategic
10	Jan 2006	QBE Insurance Group	Allianz-AGF Insurance (Vietnam)	Undisclosed	85.00	Strategic
11	Mar 2007	Whizfone	ET International Co Ltd - Call Termination Business	Undisclosed	Undisclosed	Strategic
12	Apr 2007	Qantas Airways	Pacific Airlines	Undisclosed	Undisclosed	Strategic
13	Jul 2007	Australia & New Zealand Banking Group	Saigon Securities	88.02	10.00	Strategic
14	Jun 2008	Australia & New Zealand Banking Group	Saigon Securities	Undisclosed	Undisclosed	Strategic
15	Dec 2008	Qantas Airways	Jetstar Pacific Airlines	Undisclosed	17.00	Strategic
16	Mar 2009	Australian Worldwide Exploration	Block 06/94, Nam Con Son Basin	Undisclosed	Undisclosed	Asset acquisition
17	May 2009	Pan Pacific Petroleum (Vietnam)	Block 07/03, Offshore, Vietnam	Undisclosed	5.00	Asset acquisition
18	Aug 2009	SSE Steel	Dinh Vu Steel Stock	2.83	20.51	Strategic
19	Dec 2009	Origin Energy	Salamander Energy PLC-Block 31 PSC	Undisclosed	Undisclosed	Asset acquisition
20	Dec 2009	Origin Energy	Salamnder Energy PLC-DBSCL-01 PSC	Undisclosed	Undisclosed	Asset acquisition
21	Apr 2010	Commonwealth Bank of Australia	Vietnam International Commercial Joint Stock Bank	Undisclosed	15.00	Strategic
22	Apr 2010	Commonwealth Bank of Australia	Vietnam International Commercial Joint Stock Bank	54.92	5.00	Strategic
23	Dec 2011	STW Communications Group	Edge Marketing	Undisclosed	70.00	Strategic
24	Apr 2012	Insurance Australia Group	AAA Assurance Corp	20.03	30.00	Strategic
25	Aug 2012	Two Way	Lao Cai International Hotel	54.47	75.00	Strategic
26	Mar 2013	Wonderful Kitchen	Viet Nam Stone Work - Top Fabrication JSC	Undisclosed	9.09	Strategic
27	Jul 2013	Donaco International	Lao Cai International Hotel	4.01	20.00	Strategic
28	Jul 2013	Insurance Australia Group	AAA Assurance Corp	Undisclosed	30.90	Strategic
29	Sep 2013	Macquarie Group	Saigon Commercial Bank	Undisclosed	Undisclosed	Strategic
30	Oct 2013	Wonderful Kitchen	Vicostone	2.87	12.69	Strategic

31	Sep 2014	Scoot Filoot	Furnitech Components	0.02	6.07	Strategic
32	Jan 2017	Daniel Rodney Badger	Quang Binh Import & Export JSC	Undisclosed	8.33	Financial
33	Jun 2018	Macquarie Group	Yeah1 Group Corp	Undisclosed	5.74	Financial
34	Jan 2019	Fitness & Lifestyle Group Topco	CMG.ASIA	Undisclosed	100.00	Strategic
35	May 2019	Blackstone Minerals	Ta Khoa Nickel Project	0.64	Undisclosed	Strategic
36	Nov 2023	Investor Group (Saison Capital, 500 Startups Management, Spiral Ventures, AppWorks Ventures and January Capital)	Inflow	2.00	Undisclosed	Financial

Source: Eikon Refinitiv, 2024, ASART analysis

Top disclosed outbound deals include:

Consolidated Pastoral: Clean Agriculture & International Tourism of Vietnam, a unit of TH Food Chain, acquire 100% of cattle stations portfolio of Consolidated Pastoral, for a total of USD96.4 million in January 2019.

General Motors Lang Lang Proving Grounds: VinFast purchased Lang Lang Proving Grounds in Australia in 2020, reportedly outbidding other interested parties, with the intention to use the 2,155 acres to develop new vehicles catered towards the Asia-Pacific region.

Roper Valley: Hoa Phat Group, a Vietnamese steel maker acquired Australia's Roper Valley for an undisclosed value in early 2021. Roper Valley was estimated to own 320 million tons of reserves and operated at a mining capacity of four million tons a year

An evolving partnership that promises further potential in collaboration and mutual growth

The trade and investment relationship between Vietnam and Australia has seen significant growth and diversification over the years. Free trade agreements have accelerated bilateral trade, with Vietnam's import from Australia increased notably while exports increasing only slightly, leading to a trade deficit driven by rising imports of coal and minerals. Investment activities have also expanded, with both countries committing to various projects and foreign direct investments, enhancing economic ties. Despite a modest number of M&A deals, the transactions have been impactful and strategic, involving key sectors such as manufacturing, finance, and natural resources.

Nevertheless, the current level of activities between Australia and Vietnam remains too modest given the strong relationship between the two countries. Both countries need a comprehensive plan and framework to enhance their collaboration and maximise mutual benefits. To achieve and accelerate faster growth, both can utilise the private sector's expertise and resources, doing such by having programs to inform, nurture, and incentivise business owners and companies in both markets to invest in each other. This involving partnership will enhance the potential for further collaboration and mutual growth in the future.

Sources

The information, data and figures are from the General Statistics Office, the Ministry of Planning and Investment, the Vietnam Investment Review, ASART analysis, and the author's views and analysis.

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