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# Unlocking Potential: A Guide for Australian Businesses in Vietnam

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For nearly 50 years, Australia and Vietnam have cultivated a remarkable partnership that transcends mere politics. This dynamic relationship thrives on economic exchange, strong security ties, active educational programs, and collaborative development initiatives. A flourishing Vietnamese-Australian community further strengthens this bond, solidifying the people-to-people connections that underpin its success.

In this article, my team at InnoLab Asia and I will delve into Vietnam’s booming market potential in agribusiness, education, infrastructure, and finance, equipping you to navigate regulations and seize exciting opportunities for Australian businesses.



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## Vietnam’s Booming Economy: A Lucrative Market

Vietnam’s economic power is undeniable. In 2023, its GDP reached around 433.7 billion U.S. dollars (Statista, 2023), and is projected to hit 505.53 billion U.S. dollars by 2025 (Chart 1). This robust growth fuels a thriving digital economy, projected to reach \$45 billion by 2025 (e-Conomy SEA, 2023, p.120). Furthermore, venture capital is on the rise again post-pandemic, with 634 million USD secured in 2022 and 413 million USD in the first half of 2023. (InnoLab Asia, 2023).

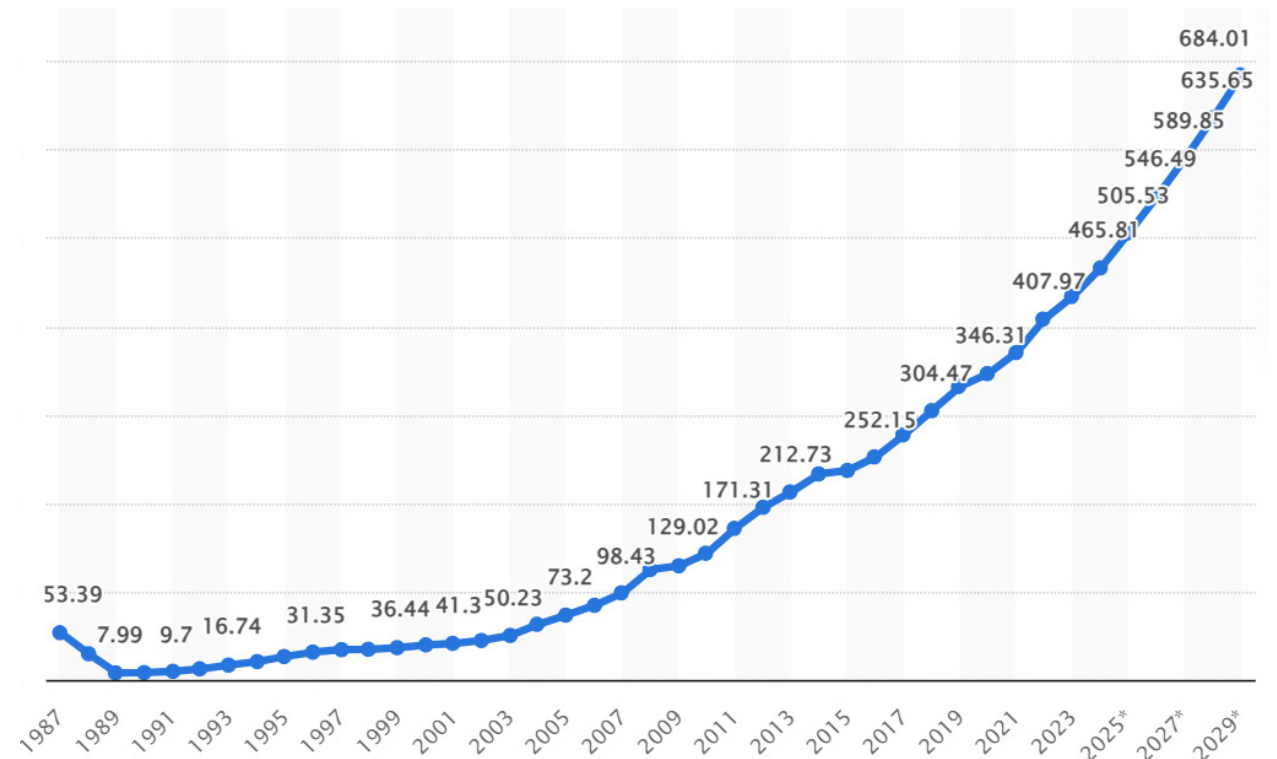


Chart 1: Vietnam’s GDP Growth Trajectory (Source: Statista)

Furthermore, Vietnam boasts a young population reaching 100 million, with a median age of just 30 (UNFPA, 2023). This translates to a large pool of young talent entering the workforce, driving the growth of the middle class.

This segment is a major force in Vietnam’s economy and society, demanding new goods and services, investing in education and property, and playing a growing role in shaping the nation’s future.

Both Vietnam and Australia are strong advocates for trade liberalisation and outward-looking foreign policies. Both countries have signed a Memorandum of Understanding (MoU) to collaborate and exchange experiences and knowledge on digital transformation and e-government adoption.



Australian educational institutions are highly regarded by Vietnamese students and employers alike. In 2022, Australia had over 610,000 international students, generating \$25.5 billion for the country's economy according to the VnExpress International article (2023). This demonstrates the global appeal of Australian education and its ability to attract students from diverse backgrounds

### Case Study: RMIT University's Success in Vietnam

RMIT University exemplifies the potential for Australian educational institutes to flourish in Vietnam. As Australia's largest service investment in Vietnam, RMIT boasts over 12,000 current students and a thriving alumni network of 20,000 graduates (RMIT Vietnam Country Commitment, 2024). Their success story highlights the strong demand for high-quality Australian education in Vietnam.

By capitalising on Vietnam's growing demand for skilled workers and the huge demand for higher education, Australia's education sector can forge a powerful partnership with Vietnam in equipping the Vietnamese workforce with the skills and knowledge needed to thrive in the global marketplace.

### Infrastructure development

Vietnam's ambitious infrastructure development plans, encompassing transportation, energy, and urban landscapes, presents a golden opportunity for Australian businesses. Australian firms specialising in engineering, construction, and project management are well-positioned to capitalise on this growth.

Vietnam's booming energy sector, with an impressive projected annual demand growth of 8-10%, offers a particularly bright spot. This surge perfectly complements Australia's commitment to clean energy solutions. "Australia offered Vietnam an aid package of AU\$105 million (\$69.4 million) to help the country with infrastructure development, climate change response, and energy transition" according to VAFIE magazine *Nha dau tu* (The Investor) in 2023, specifically targeted towards sustainable infrastructure and clean energy investment in Vietnam, demonstrates this shared vision. Moreover, Prime Minister Anthony Albanese's announcement of an AUD\$2 billion fund for ASEAN green energy infrastructure in March 2024, reinforces Australia's commitment to supporting Vietnam's clean energy transition (AIIA, 2024).

However, Vietnam's young, dynamic population, while brimming with potential, faces a skills gap. Australian expertise can bridge this gap, transforming youthful energy into seasoned leadership and propelling Vietnamese businesses to global success. This win-win partnership creates lasting infrastructure and a brighter future for both nations.

### A lucrative hub for financial and professional services

With a whopping \$639 million invested in digital transformation, Vietnam has witnessed a remarkable 40% surge in digital banking adoption and a staggering 249% increase in foreign funding by 2022 (PRN Asia, 2023).

This tech revolution extends beyond finance. Vietnam's technology ecosystem continues to climb the ranks, jumping 7 positions in the government's 2023 AI readiness index to claim the 6th spot in ASEAN and 55th globally (VietnamPlus, 2024).

Fuelling this growth is Vietnam's exceptional talent pool. Early emphasis on STEM education has fostered a strong foundation in programming skills, propelling Vietnam to 22nd place globally in the 2020 Global Skills Index (Global Skills Index, 2020, p.11). The country boasts an impressive 480,000 IT engineers, further bolstered by their proficiency in English, adaptability, and eagerness to learn (TopDev Vietnam, 2020). For companies seeking to ignite innovation, Vietnam's tech talent pool offers a compelling proposition.

Beyond expertise, Vietnam's competitive labor costs compared to other offshoring destinations present a significant advantage. This allows businesses to leverage Vietnam's talent for both immediate and long-term strategic initiatives while maintaining cost-efficiency. This potential has attracted major financial institutions like ANZ Bank, HSBC, Deutsche Bank, and NAB to establish digital hubs in Vietnam.

A prime example is NAB, Australia's largest business bank, which launched the NAB Innovation Centre Vietnam (NICV) in 2019. Focused on enhancing technology and customer experience, the NICV has seen rapid growth, expanding to three offices across Ho Chi Minh City and Hanoi and employing hundreds of skilled IT professionals.

Beyond cost efficiency, Vietnam has the potential to become a research and design (R&D) powerhouse. The country's inherent talent for meticulous work can be leveraged to innovate and design new products. By collaborating with Vietnam's dynamic tech sector, Australian businesses can unlock a world of possibilities for innovation, cost optimisation, and success in the evolving financial landscape.

Now, we'll explore some tips for navigating the Vietnamese market and maximising your potential for success.

## Advantages of entering the Vietnamese market:

### Free Trade Agreements (FTAs):

Australia and Vietnam enjoy a strong economic partnership, built on a foundation of complementary strengths. This translates into a mutually beneficial trading environment, further bolstered by their participation in key multilateral organisations and Free Trade Agreements (FTAs).

In December 2021, the Australian and Vietnamese Governments released a new Enhanced Economic Engagement Strategy (EEES) to become top ten trade partners and double two-way investment (DFAT Australia, 2022). The EEES built on growing government ties between the two countries since the establishment of a Strategic Partnership at the 2018 Special ASEAN Summit in Sydney (ASEAN, 2018), and a widening web of trade deals including the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) since 2010 (VCCI, 2010); the CPTPP since 2018; and the Regional Comprehensive Economic Partnership from 2022 (DFAT Australia, 2022).

The ASEAN-Australia-New Zealand FTA and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are prime examples, offering Australian businesses preferential tariffs and a range of trade benefits. This translates into significant cost savings and a more competitive edge, making Vietnam an attractive market for Australian companies to explore.

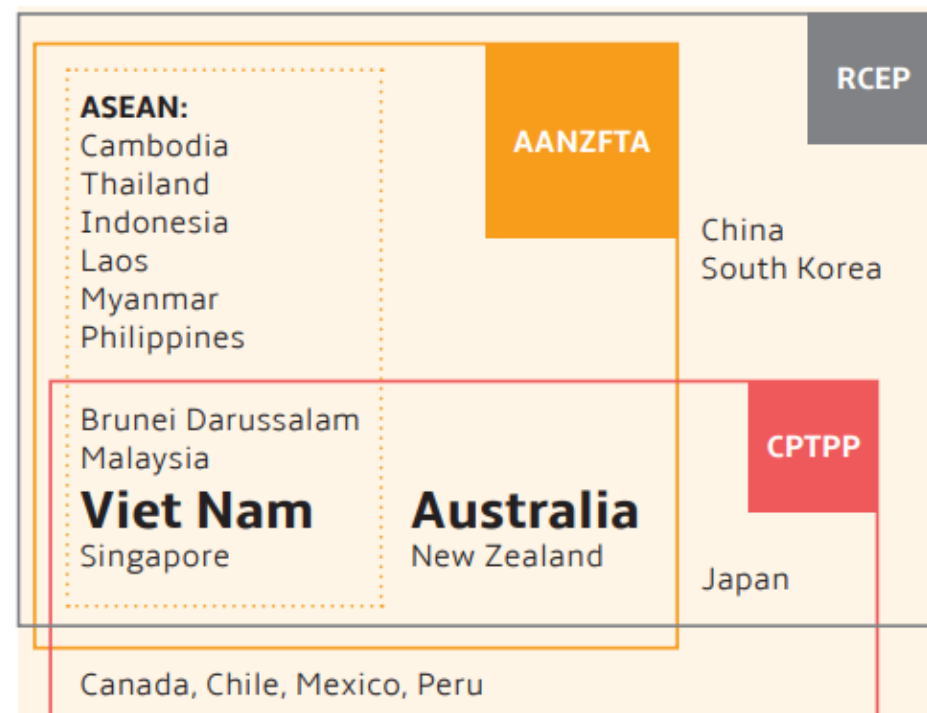


Chart 4: Australia's Free Trade Agreements (Source: Asia Society, A Path to Australia Report 2022)

Trade statistics paint a clear picture of the success of this partnership. By 2020, Vietnam's investment in Australia surpassed US\$722 million, while Australian investment in Vietnam reached nearly AU\$2.5 billion by 2018 (Asia Society, A Path to Australia Report, 2022). These figures demonstrate the robust two-way flow of trade facilitated by these advantageous trade agreements.

### Growing Demand for High-Quality Products and Services:

Vietnam's economic engine is firing on all cylinders, fuelling a surging demand for high-quality products and services. Sectors like agriculture, food and beverages, healthcare, education, and technology are experiencing explosive growth. Australian companies, renowned for their commitment to quality, innovation, and reliability, are perfectly positioned to meet these evolving consumer preferences.

Statistics paint a clear picture: Vietnam's imports of Australian services grew by an impressive 52.2% between 2009 and 2019 (Vietnam Embassy in Australia, 2019), significantly outpacing most competitors. This trend extends beyond raw numbers. Specific categories like personal, cultural, and recreational services, travel (including educational travel), transport, and government services all witnessed growth exceeding 24% in the past five years. While the pandemic caused a temporary setback in 2020 for travel and transport sectors, the long-term outlook remains positive. Australia remains a key target market for Vietnamese aviation and tourism companies, highlighting the underlying strength of this demand.

By leveraging their well-deserved reputation for quality, Australian businesses can gain a significant competitive advantage in Vietnam's dynamic market. This not only translates to capturing exciting market opportunities but also fosters strong brand loyalty among Vietnamese consumers.

### Positive Perception of Australian Brands:

Australian businesses can leverage their positive reputation in Vietnam to forge win-win partnerships. While Vietnam boasts a strong manufacturing sector (e.g., Thien Long Group supplying Officeworks and Kmart), there's an opportunity for collaboration. Australian expertise in branding and marketing can empower Vietnamese companies like An Phat Holdings (eco-friendly plastic bags) to elevate their brands on the global stage. This collaboration would benefit both nations:

- Australia: Gains access to a skilled manufacturing base and fosters deeper trade relations
- Vietnam: Enhances brand recognition, expands market reach, and attracts foreign investment.

By working together, Australian and Vietnamese businesses can craft compelling brand narratives that resonate with international consumers. This translates into increased market share and profitability for both.

## Navigating the Regulatory Landscape

Building on the strong foundation of Australia and Vietnam's economic partnership, as discussed previously, navigating the regulatory landscape becomes even more crucial to maximising your success in this dynamic market. Here's a breakdown of key areas to consider:

### 1. Company Establishment:

Process: Setting up a business in Vietnam involves a multi-step process. You'll need to:

- Choose a business structure (wholly owned, joint venture, representative office)
- Obtain an Investment Registration Certificate (IRC)
- Obtain a Business Registration Certificate (BRC)
- Submit a comprehensive dossier to the Department of Planning and Investment (DPI)

### 2. Understanding Import Duties:

- *Free Trade Agreements (FTAs):* These agreements significantly impact import tariffs for Australian goods. Research the specific tariff structure applicable to your products to ensure cost-effective planning.

### 3. Local Partner Considerations:

- *Joint Venture Requirements:* Certain sectors require joint ventures with local partners. Equity limitations may apply.
- *Market Research and Partner Selection:* Thorough market research is crucial to identify a suitable local partner who complements your business goals.

### 4. Sector-Specific Regulations:

- *Beyond General Laws:* Additional regulations apply to specific industries like banking, telecommunications, and energy. These can influence your:
  - o Market entry strategy
  - o Operational scope
  - o Partnership structure

### 5. Protecting Your Intellectual Property (IP):

- *Vietnam's IP Commitment:* Vietnam's World Trade Organisation (WTO) and Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS) membership strengthens IP laws and enforcement mechanisms.
- *National Office of Intellectual Property (NOIP):* Register your patents, trademarks, and industrial designs with the NOIP to safeguard your assets.
- *Registration Timelines:* Registration timelines vary (12-18 months for trademarks, longer for patents).
- *IP Enforcement:* While challenges persist, developing comprehensive IP protection strategies is highly recommended.

***Having a clear understanding of the regulations is only half the battle. Here are some suggested strategies from our team to effectively tackle challenges and navigate complexities:***

- **Partnering with a Local Vietnamese Company:** Collaborating with a local Vietnamese company can provide valuable insights, market access, and regulatory guidance, enhancing the market entry process and fostering successful business operations.
- **Seeking Advice from Legal and Business Consultants:** Consulting with experienced legal and business consultants specialising in the Vietnamese market can offer strategic guidance on regulatory compliance, risk management, and optimal business practices, ensuring a smooth transition into the market.
- **Staying Informed about Government Policies and Regulations:** Keeping abreast of government policies, regulatory updates, and industry trends is crucial for Australian businesses to adapt proactively, maintain compliance, and capitalise on emerging opportunities in the dynamic Vietnamese market landscape.

By incorporating these strategic approaches and staying attuned to regulatory changes, Australian businesses can navigate the Vietnamese market with confidence, optimise their market entry strategy, and position themselves for sustainable growth and success.

## A Future of Collaboration

In conclusion, Vietnam's economic dynamism presents a compelling opportunity for Australian companies. A booming economy, strong trade ties, and thriving sectors like agribusiness, education, and infrastructure create a fertile ground for collaboration and growth. Australian expertise in these areas, coupled with Vietnam's skilled workforce, promises a win-win scenario.

To navigate this exciting market, thorough market research and strategic planning are key. Partnering with local Vietnamese companies and legal/business consultants can ensure regulatory compliance and provide valuable insights. By tailoring their approach to specific sectors and fostering strong relationships with local partners, Australian businesses can unlock immense potential in Vietnam.

The future of Australia-Vietnam economic relations is bright. By embracing collaboration and innovation, Australian businesses can contribute to Vietnam's continued growth while reaping rich rewards in this dynamic market. **InnoLab Asia** stands ready to assist you on this exciting journey.

Contact us today via [hello@innolab.asia](mailto:hello@innolab.asia) to unlock your potential in Vietnam!

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