



Australian Government

Department of Foreign Affairs and Trade

CPTPP: GROWING AUSTRALIA'S INVESTMENT IN VIETNAM



THE TIME TO INVEST IN VIETNAM IS NOW

Vietnam's economy is booming. With decade high growth of 7.1 per cent in 2018, Vietnam is expected to be a global top 20 economy by 2050.¹

Vietnam's impressive economic expansion is being driven by export-oriented foreign direct investment (FDI), with disbursed FDI reaching USD19 billion in 2018.

With a population of 95 million people, Vietnam is a large and growing consumer market. Having achieved lower middle-income status in 2010, more than 50 per cent of Vietnam's population is expected to join the global middle class by 2035, with real GDP per capita projected to grow at 4.5 per cent annually out to 2030.²

Vietnam is going to require continued FDI inflows into many sectors to sustain its current rates of growth. Australian investors are well-placed to capitalise on this demand, particularly in aviation, transport, logistics, mining and resources.

Vietnam is already one of Australia's fastest growing trade partners. The Prime Ministers of Australia and Vietnam have committed to doubling two-way investment and the CPTPP will accelerate the growth of our bilateral investment relationship with Asia's fastest growing economy.

DISBURSED FDI (2018)

USD19BN

ANNUAL REAL GDP
PER CAPITA GROWTH (TO 2030)

4.5%

GDP GROWTH (2018)

7.1%

POPULATION

95 MILLION

¹ In purchasing power parity terms.

Source: PricewaterhouseCoopers - World in 2050 Report

² World Bank - Vietnam 2035 Report



FOREIGN DIRECT INVESTMENT (FDI) IN VIETNAM

FDI has been a key driver of Vietnam's recent economic success, particularly investment in export-oriented manufacturing.

Foreign-invested companies currently account for approximately 70 per cent of Vietnam's total export turnover and create millions of direct and indirect jobs. FDI has played a critical role in upskilling the Vietnamese labour force and integrating the country into global value chains for many commodities including smartphones, electronics, textiles and footwear.

VIETNAM IS NOW AMONG ASIA'S MOST FAVOURED FOREIGN INVESTMENT DESTINATIONS. ITS POLITICAL STABILITY, ECONOMIC REFORM AGENDA AND IMPROVEMENTS TO ITS BUSINESS ENVIRONMENT AS WELL AS A YOUNG AND INCREASINGLY URBANISED POPULATION AND AFFORDABLE LABOUR HAVE FURTHER BOOSTED THE COUNTRY'S ABILITY TO ATTRACT FDI.

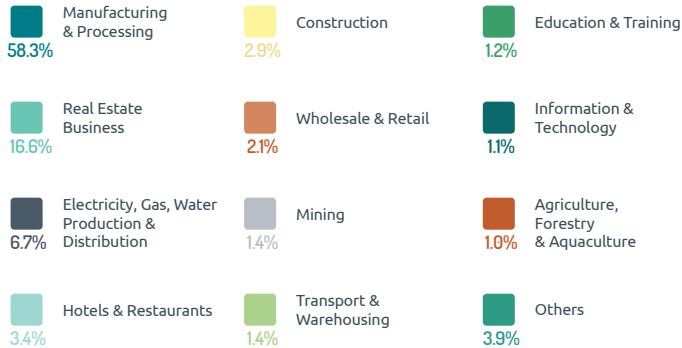
Disbursed FDI in 2018 climbed to USD19.1 billion, a 9.1 per cent year-on-year increase, with Japan, the Republic of Korea and Singapore being the biggest investors. The manufacturing and processing sector attracted nearly half of FDI inflows in 2018, followed by the real estate and retail sectors.

The CPTPP will make Vietnam an even more attractive destination for investment from member economies by opening up new sectors of the economy and providing preferential investment screening and additional protections for investors.

TOTAL FDI BY SECTOR IN VIETNAM (AS OF APRIL 2019)



Source: Vietnam's Ministry of Planning and Investment.



INVESTMENT SUCCESS: BLUESCOPE STEEL

Since opening a roll-forming factory in Dong Nai province in 1993, BlueScope Steel has become one of Australia's largest investors in Vietnam.

Now with a USD105 million flat steel metallic coating and painting facility in Ba Ria-Vung Tau province, BlueScope is bringing Australia's world-class manufacturing expertise to Vietnam. As Vietnam's leading manufacturer of coated and pre-painted products, BlueScope is servicing demand from Vietnam's fast growing construction industry.

CPTPP will help Australian manufacturers like BlueScope Steel expand their investments in Vietnam by providing for a more transparent investment environment.

AUSTRALIAN INVESTMENT IN VIETNAM

Australian investment in Vietnam has been steadily increasing over the past five years and has diversified into a number of key sectors including manufacturing, education and training, services, logistics and agribusiness.

Australia is currently Vietnam's 20th largest foreign investor, with approximately AUD2.4 billion worth of investment in over 450 projects. Over three quarters of these projects are wholly owned by Australian investors and nearly a quarter are through joint ventures.

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Over the past few years Vietnam has been active in signing bilateral trade agreements with many countries. This really opens up big opportunities for many companies to grow their export market share in Vietnam. In addition, Vietnam's fast-growing middle class is boosting its purchasing power and will help us improve significantly our domestic sales target. ”

MR NHUT VO
PRESIDENT OF
BLUESCOPE VIETNAM

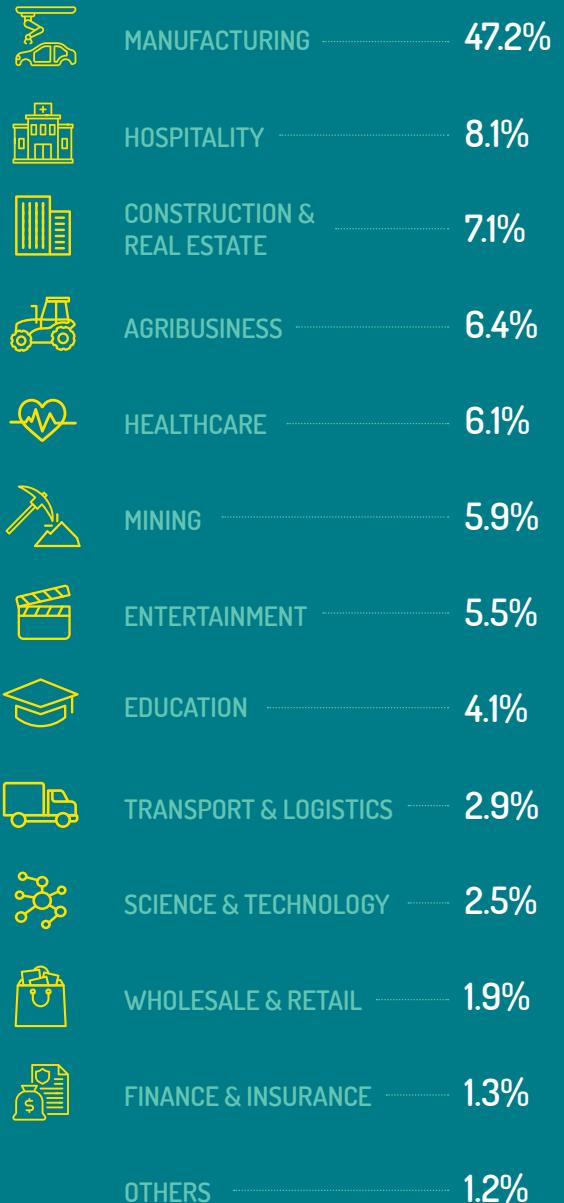
TOTAL STOCK OF AUSTRALIAN INVESTMENT IN VIETNAM (AUD MILLION)



Source: Australian Bureau of Statistics



AUSTRALIAN INVESTMENT IN VIETNAM BY SECTOR (AS OF APRIL 2019)



Source: Vietnam's Ministry of Planning and Investment



CPTPP WINS FOR AUSTRALIAN INVESTORS

The CPTPP will create a more certain investment environment for Australian companies in Vietnam, while preserving the rights of CPTPP Parties to legislate and regulate in the public interest.

The CPTPP Investment Chapter contains rules that provide additional protections to Australian investors operating in CPTPP countries, including Vietnam. For example, CPTPP investment rules:

- provide protection against discriminatory treatment;
- require payment of compensation in certain circumstances where an investment is expropriated;
- require that investment-related capital transfers occur freely and without delay; and
- guarantee that investors and their investments will be accorded a minimum standard of treatment in accordance with the applicable customary international law standard, which includes an obligation to provide due process in court proceedings.

AGRICULTURE

Australian companies have a strong track record of making quality investments in Vietnam's agriculture sector.

INTERFLOUR GROUP part owned by Australia's CBH Group, operates flour and malt mills in Vietnam, supplying much of the flour that makes Vietnam's world-renowned banh mi as well as malt for Vietnam's growing craft beer industry.

VN FUTUREMILK, an Australian company based in northern Vietnam and specialised in dairy production, uses Australia's world-leading technology to produce high-quality milk for Vietnam's largest dairy company.

SUNRICE, through its investment in a rice processing mill in Dong Thap province, is providing high-quality, safe and sustainable rice for export across the region.

MAVIN GROUP, in manufacturing, operates a fully integrated supply chain across Vietnam producing animal and fish food and veterinary products, and processing popular small goods for the local market.

AVIATION

Vietnam is one of the world's fastest growing aviation markets. Over the last decade, the average growth rate has been 17.4 percent, far higher than the 7.9 percent growth in Asia-Pacific.

This growth has been driven by the emergence of low-cost carriers and a growing tourism industry. Since 2010, the number of international tourists has grown three-fold from 5 million to more than 15 million in 2018. Vietnam's aviation sector has benefited from the ASEAN Open Skies policy, which allows airlines to fly freely throughout the ASEAN member states in a unified air transport market.

Under the CPTPP, Vietnam has locked in its current investment regime in aviation (including the 30 per cent foreign equity limitation) and has guaranteed that any future reforms will flow through to Australian airlines in the Vietnamese market. The CPTPP also contains ground-breaking rules on state-owned enterprises and designated monopolies that help ensure government owned-airlines are not provided with non-commercial assistance, such as subsidies, that would have an adverse effect on competition with privately-owned airlines.

DOMESTIC AND INTERNATIONAL AIRCRAFT PASSENGERS OF AIR CARRIERS REGISTERED IN VIETNAM (MILLION)



Source: World Bank

TRANSPORT AND LOGISTICS

Rising consumption and booming e-commerce as well as expanding domestic manufacturing and trade links are some of the key drivers of the Vietnamese transport and logistics market.

Vietnam's transport and logistics infrastructure, albeit improving, remains underdeveloped. This causes transport costs to be excessively high, especially compared to other ASEAN economies. The Vietnamese Government is keen to attract private investment to upgrade transport infrastructure as well as improve the competitiveness of its logistics services.

Under the CPTPP, Vietnam will lock in its current investment measures for road freight transport services (including the foreign equity limitation of up to 51 per cent); guaranteeing that any future market reforms will flow through to Australian providers.

VIETNAM ACCESSING GLOBAL MARKETS: LINFOX

Vietnam is a globally significant manufacturer. Since 2006, Linfox has helped Vietnam-based manufacturers access global markets by providing Australia's world-leading logistics services.

Operating from nine sites across Vietnam, Linfox provides some of Vietnam's largest manufacturers of fast-moving consumer goods with its cutting-edge logistics technology, warehousing and transport solutions. From large distribution centres in Ho Chi Minh City and Hanoi, Linfox's iconic yellow and red trucks are also helping to service Vietnam's growing demand for consumer products.

The CPTPP will help Australian logistics companies like Linfox expand their services to Vietnam by providing greater certainty about transport and freight operating conditions as well as simpler customs procedures.



MINING AND RESOURCES

Vietnam is exceptionally mineral-rich, but only a fraction of its resources have been discovered and exploited. Vietnam has yet to systematically explore sophisticated technologies such as airborne geophysical surveys to locate deeper, richer or larger deposits of minerals.

The focus of the Vietnamese mining industry has been almost exclusively on less expensive or near-surface energy materials. This include deposits of coal and bulk commodities such as iron ore, bauxite, sand and limestone. The industry remains largely undeveloped and requires significant amounts of FDI and technology to expand.

Vietnam has opened its mining investment regime to CPTPP Parties, providing Australian investors with new opportunities and greater transparency regarding the investment screening process and operating conditions for prospective investments. Vietnam has also locked in its investment and local content regimes for oil, gas and power development as well as future reforms.

The CPTPP also guarantees prohibitions on the introduction of new resource export taxes and commitments for the elimination of existing export taxes in Vietnam, providing greater certainty for Australian mining and energy companies.

AUSTRALIAN INVESTORS WORKING IN AND VISITING VIETNAM

Australian investors and independent executives responsible for setting up a commercial presence will benefit from Vietnam agreeing to grant a short-term stay of up to one year under the CPTPP.

Australian business persons who wish to stay in Vietnam for a short period of time to pursue business opportunities, including to attend a conference, trade fair or meetings, explore investment opportunities or engage in negotiations, may be granted a stay of up to six months in Vietnam.

More information on the temporary entry of business persons under the CPTPP can be found here: <https://bit.ly/2LZJu2F>



INVESTMENT DISPUTES



Australia has negotiated Investor-State Dispute Settlement (ISDS) provisions over the past three decades to provide protection for Australian companies investing abroad. ISDS promotes investor confidence and can help protect against sovereign or political risk.

The CPTPP contains an ISDS mechanism. This provides Australian investors with access to an independent arbitral tribunal to resolve disputes for breaches of these investment rules or certain investment-related rules in the Financial Services Chapter.

More information on ISDS provisions of the CPTPP can be found here: <https://bit.ly/30EqsTy>

In addition to growing Australian investments, the CPTPP will bring about wins for goods and services exporters.

See the goods and services exports booklets in this series.

FOR MORE INFORMATION

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www.vietnam.embassy.gov.au/hnoi/home.html



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