

Free Trade Agreements

Australia and Vietnam are members of the ASEAN-Australia-New Zealand FTA (AANZFTA) and the Trans-Pacific Partnership (TPP). Both countries are also part of negotiations for the Regional Comprehensive Economic Partnership (RCEP).

AANZFTA is creating real opportunities for Australian businesses in Vietnam right now. In 2010, only 30 per cent of Vietnam's tariff lines were tariff-free under AANZFTA. By 2020, over 90 per cent of tariff lines — covering more than 99 per cent of Australian exports to Vietnam — will be tariff-free.

The TPP will assist Australian and Vietnamese exporters and investors by establishing a more seamless trade and investment environment by setting commonly-agreed rules, promoting transparency of laws and regulations, and facilitating participation in regional supply chains. The Agreement will also provide substantial new market access opportunities in the 12 markets of TPP members that account for around 40 per cent of global GDP.

RCEP, which includes China and India, is set to conclude in 2016 and will further deepen Vietnam's integration into global supply chains and trade networks.

‘Vietnam has been one of the most active participants in the global economic integration process in the last two decades and integration remains a key policy priority for the Government. Vietnam is well positioned to be at the forefront of the global integration process and to become a truly globalized economy.’

Hugh Borrowman | Australian Ambassador to Vietnam

Australia's competitors are already acting on the opportunities in Vietnam. Australian exporters and investors should take the time to understand developments in Vietnam and what they can mean for their businesses. Austrade and the Department of Foreign Affairs and Trade are committed to helping Australian businesses understand and explore the opportunities on offer.

Information and contacts

Australia

Department of Foreign Affairs and Trade
www.dfat.gov.au

Austrade
www.austrade.gov.au/vietnam

Export Finance Investment Corporation
www.efic.gov.au

Vietnam

Foreign Investment Agency — Ministry of Planning and Investment
fia.mpi.gov.vn/home/en

Vietnam Trade Promotion Agency
www.vietrade.gov.vn/en

Australian Chamber of Commerce Vietnam
www.auschamvn.org

Vietnam Chamber of Commerce and Industry (VCCI)
www.vccinews.com

Australian Embassy in Hanoi

8 Dao Tan Street, Ba Dinh District
Hanoi
T: +84 4 3774 0100
www.vietnam.embassy.gov.au

Australian Consulate-General in Ho Chi Minh City

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Ho Chi Minh City
T: +84 8 3521 8100
www.hcmc.vietnam.embassy.gov.au



Australian Government



Australian Government



Vietnam's market of over 90 million people, young and skilled workforce, strong GDP growth of over six per cent and focus on global economic integration makes it South East Asia's new growth frontier. Opportunities for Australian businesses in Vietnam will continue to increase as regional and global integration drives further economic reform.

Key facts

- › The world's second-fastest growing economy from 1990-2013 after China.
- › Australia's fastest growing export market in ASEAN over the 10 years up to FY2013-14.
- › Rapidly integrating into the global economy, including through the Trans-Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP), ASEAN Economic Community (AEC), and bilateral free trade agreements.
- › Top ranking in the 2015 Financial Times global performance index for greenfield foreign direct investment, leading all other emerging markets by a wide margin.
- › Reforming the economy to improve ease of doing business and strengthen competitiveness.
- › The fastest-growing middle and affluent class in ASEAN — set to rise from 12 million in 2012 to 33 million in 2020.
- › Increasing domestic demand for high-quality goods and services.
- › Significant opportunities for Australia, including in dairy, meat, wine, processed food, energy, infrastructure, water, education, health and financial services.
- › Australia has a strong reputation and a large number of Vietnamese business-people and government officials are alumni of Australian universities.
- › Major Australian businesses operating in Vietnam include: ANZ, Commonwealth Bank, QANTAS, Origin Energy, Santos, QBE Insurance, IAG, Linfox, CPA, BlueScope Steel, RMIT University and UTS.

RMIT Vietnam has now educated almost 10,000 graduates and currently has over 6000 students and 600 staff.



Case Study: Australian Wool Innovation

Australian Wool Innovation Ltd (AWI) launched its 'Out of Vietnam' project in Hanoi in 2012 with the objective of establishing manufacturing supply chains for Australian wool in Vietnam to create a new market for Australian wool exports, which are heavily dependent on China. AWI has transferred technology and techniques for manufacturing wool products to 49 companies spread across Vietnam and connected manufacturers with buyers. Now there are successful manufacturers in Vietnam of sweaters, knitted garments, suits, scarves, hats, socks and accessories using Australian wool – some of whom are exporting these products to Japan, Korea and Australia using the world-renowned Woolmark logo.

Case Study: Interflour Vietnam

Interflour Vietnam is a joint venture between Australia's Cooperative Bulk Handling, Australia's largest grain exporter and Japan's Sojitz Corporation, and operates the first privately-owned grain terminal and storage infrastructure in Vietnam with an annual capacity of around 250,000 tonnes of wheat. Since its initial US\$70 million investment in a mill facility in 2003, Interflour Vietnam has continued to expand its operations, opening a US\$55 million port and grain terminal in 2010 which features state-of-the-art grain handling, storage and port facilities.

Case Study: Midway Metals

Midway Metals, an established Australian stainless steel distributor and manufacturer, chose to expand into Vietnam in 2005 because, unlike in China, it didn't have to go into partnership with a local business. The presence of other local and international firms focused on manufacturing meant that Midway could also draw on skills that already existed in the Vietnamese workforce. Midway says its business in Vietnam has far exceeded expectations in terms of stability, cost effectiveness, geographical advantage and willingness to embrace the company's vision. Its success has allowed Midway to move beyond being a supplier back to Australia – it now has customers in Asia, Europe, and Africa.

Case Study: Murray Goulburn

Vietnam consumes up to 1.2 billion litres of liquid milk annually, but local supply currently only meets around one-quarter of the demand. Imported milk powder makes up most the shortfall but consumers increasingly seek pure UHT milk to complement their diets. Murray Goulburn, Australia's largest dairy producer, has been exporting Devondale milk to Vietnam since 2002. Today, Devondale milk is trusted by millions of Vietnamese households. It is the top imported liquid milk brand in Vietnam and its market share continues to grow.

AUSTRALIA'S TRADE WITH VIETNAM IN 2014

TOP 5 EXPORTS TO VIETNAM

- 1 Education-related travel – \$1,016m
- 2 Crustaceans – \$656m
- 3 Wheat – \$447m
- 4 Aluminium – \$219m
- 5 Live animals (excluding seafood) – \$187m

AUSTRALIA-VIETNAM TRADE

- › TOTAL EXPORTS – \$4.3b
- › TOTAL IMPORTS – \$5.8b
- › TOTAL TWO-WAY TRADE* – \$10.0b

TOP 5 IMPORTS FROM VIETNAM

- 1 Crude petroleum – \$2,105m
- 2 Telecom equipment and parts – \$828m
- 3 Personal travel – \$571m
- 4 Furniture, mattresses and cushions – \$221m
- 5 Footwear – \$192m

KEY FIGURES

Vietnam is Australia's:

- › **2nd largest** live cattle export market (up from 11th largest in 2013)
- › **3rd largest** source of international students (almost 30,000 enrolments in 2014)
- › **6th largest** agricultural export market (Australia supplies 69 per cent of Vietnam's wheat imports)
- › **14th largest** merchandise trade partner

* Totals do not match due to rounding.
Data is the most recent available at the time of publishing and is based on ABS data

Case Study: RMIT University

RMIT's flagship international campus, RMIT International University Vietnam, was Vietnam's first fully foreign-owned university. Established in 2001 with only 40 students, RMIT Vietnam has now educated almost 10,000 graduates and currently has over 6000 students and 600 staff. It delivers internationally recognised degrees, corporate training programs and tailored English training across its two campuses in Ho Chi Minh City and Hanoi.

Business and investment environment

The Vietnamese Government is committed to improving the country's business and investment environment to ensure Vietnam remains competitive as it opens up to the global economy. Australian aid is supporting Vietnam in economic restructuring and increasing competitiveness.

Australia is regarded as a modern, technologically advanced and friendly country, and Australian companies are generally well received. Australian firms may benefit from investment opportunities in:

- › producing goods and services for domestic consumption
- › export-led sectors of Vietnam's economy (e.g. agriculture, manufacturing and resources) or other priority sectors identified by the Vietnamese Government
- › sectors where there are synergies between Australia's development assistance program and Australian industry capabilities, such as infrastructure and water.

Standard investment incentives offered to foreign investors in Vietnam include:

- › corporate income tax exemption and reduction from the first profit making year, tax-free periods or tax reductions during the start-up phase
- › land rental exemption or reduction
- › import-duty exemption on the importation of equipment, materials, means of transportation and other goods for implementation of investment projects in Vietnam in accordance with the Law on Export and Import Duties
- › accelerated depreciation of fixed assets, and losses carry forward.

'The ASEAN region has never offered more opportunities for business than it does today.'

Andrew Robb | Minister for Trade and Investment