Vietnam
TRADE MISSION PROSPECTUS

- Energy • Retail • Food • Meat • E-Commerce
- Startups • Infrastructure

★ 22nd to 28th March 2020 ★
PARTNERS

Australia-Israel Chamber of Commerce

NRA National Retail Association

ANZ
Whitecorp International is an expert in providing international trade opportunities, coupled with the right introductions, frameworks and advice for fostering your ideas in internationalizing your business.

One of the best ways of gaining familiarity with a new region is to be part of a Trade Mission.

WhiteCorp International have run several Trade Missions to Vietnam over the past 10 years. This trade mission will focus on the following:

1. Livestock/Beef/Food Export Market
   - Meat
   - Dairy
   - Beverages
   - Processed food
2. E-commerce
3. Retail Supply Chain
4. Energy
5. Healthcare/Aged Care
6. Water Management
7. Transport/Infrastructure

**Recent Trade Missions include:**

- Vietnam Delegation (Master Electricians) August 2010 - 165 Delegates
- Thailand (Rotary Conference) Trade Mission March 2011 (with Diathelm) – 32,000 delegates
- China (World Expo) Trade Mission May 2012 – 26 delegates
- Vietnam Trade Mission November 2013 – 14 delegates
- Israel Defence & Technology Trade Mission April 2014 (with the AICC) – 26 delegates
- Philippines Trade Mission January 2014 – 16 delegates
- Philippines & Vietnam Trade Mission January 2015 – 12 delegates
- U.S. Defence & Technology Trade Mission – April 2015- 26 delegates
- Israel Innovation Trade Mission – October 2015 (with AICC) – 44 delegates

Like WhiteCorp International, the **AICC** has been facilitating annual trade delegations to and from Israel since 1989 to help encourage trade and foster closer business relationships between Australia and Israel.
Commercial outcomes derived from these missions extend beyond the bilateral trade statistics as they include joint ventures, technology transfer agreements, academic exchanges, partnership arrangements in third markets, cooperation agreements between Australian and Israeli business associations and an increase in trade.

Each of these missions is themed around relevant Australian industry policy, and the objective is to deliver not only commercial benefits to the companies, but also make a contribution to the Australian economy.

Encouraging diverse representation from political leaders, public sector decision makers, academia, and broad private sector interests assists such outcomes.

AICC Missions play an important role in raising the awareness of the opportunities that exist between the two countries. The increase in the frequency, seniority and size of these delegations in recent years is testament to the growing recognition by Australian business of the importance of such missions.

VIETNAM OVERVIEW

The following information is courtesy of Austrade.

Vietnam, with an increasingly deregulated business environment and ambitious reform, has experienced robust growth with an average GDP growth of 6 per cent in the last 20 years (World Bank, GDP growth, 2016). GDP grew by 6.8 per cent in 2017 (fastest in the last 10 years) and is projected to grow by 7.1 per cent in 2018 and 6.8 per cent in 2019 according to the Asian Development Bank.

Foreign Direct Investment (FDI) to Vietnam hit a record high of US$35.88 billion in 2017, up 44.4 per cent. "Vietnam continued to surprise the region and the world by the depth and pace of economic integration and regulatory reforms, which led to a significant improvement in the investment environment." (Doing business in Vietnam, PwC, 2017).

Vietnam’s fundamental growth drivers include domestic demand, a result of a fast growing middle class, the golden population structure with a median age of 30, a highly educated and digitally-savvy generation, as well as export-oriented manufacturing.

Vietnam is a densely-populated developing country that has been transitioning from the rigidities of a centrally-planned economy since 1986. Vietnamese authorities have reaffirmed their commitment to economic modernization in recent years. Vietnam joined the World Trade Organization in January 2007, which has promoted more competitive, export-driven industries. Vietnam became an official negotiating partner in the Trans-Pacific Partnership trade agreement in 2010.

In 1 January 2010 the ASEAN-Australia-New Zealand-Free Trade Agreement (AANZFTA) came into force. Many products imported from Australia enjoyed tariff reduction from 1 January
Australian businesses are urged to take a close look at the opportunities created by the agreement, as it delivers real commercial benefit for Australian exporters and investors doing business in Vietnam. Details please refer to the AANZFTA information.

The rapid growth of the fast food sector has increased the activity of businesses that service the industry including baked goods, dairy, meat and poultry establishments. Fast food revenue in Vietnam in 2016 was VND 17.9 trillion, an increase of 9 per cent over 2015. Many foreign fast-food chains are active in Vietnam’s food and beverage market.

Growth in the tourism industry has also resulted in a growing demand for beef, cheese, seafood, wine and seasonings which are used in western-style, Japanese and other international food outlets. According to the Ministry of Culture, Sports and Tourism of Vietnam, total international tourist arrivals into Vietnam reached more than ten million in 2016, an increase of 26 per cent since 2015. Australia ranks 8th in the top 10 of international visitors in Vietnam, reaching 154,500 with an increase of 7.4 per cent.

Vietnam is one of the most attractive markets in South East Asia for consumer-oriented organisations due to its sustainable economic growth and low inflation levels, which will strongly benefit consumers’ spending power over the next five years. Positive demographic dynamics and increasing income will also attract retailers interested in capturing the mass-market segment. With 60 per cent of the local population aged 30 years old, of which about 6.1 million households are estimated to enter the US$ 5,000-US$ 10,000 income level towards 2020.

Vietnam’s food sector accounts for a substantial and growing part of the country’s gross domestic product (GDP). Total food sales are forecast to increase at a compound annual average rate of 11.3 per cent over 2017-2021. Per capital food sales will experience the growth of 10.3 per cent per annum during 2017-2021, along with strong population growth. Bread, rice and cereals continue to account for more than 40 per cent of total food sales in the country and dairy products will outperform over the next five years (Source: BMI, Vietnam Food and Drink Report Q4 2017).

The Vietnamese food retail sector is growing and expanding rapidly. According to the Association of Vietnam Retailers, the country currently has around 800 supermarkets, 150 shopping centers, 9,000 traditional markets and 2.2 million mom-pop stores.

Foreign retail giants have also shown their interest in developing modern retailing in Vietnam by investing into trade centers and supermarkets. Foreign retailers are leading the change from traditional to modern retailing. The growth of modern retailers presents opportunities for greater exposure to imported products.

Agriculture’s share of economic output has continued to shrink from about 25% in 2000 to less than 22% in 2012, while industry’s share increased from 36% to nearly 41% in the same period. State-owned enterprises account for roughly 40% of GDP.

Poverty has declined significantly, and in 2018 The World Economic Forum advised that only 6% of the population now lived below the poverty line.

Vietnam is now one of the most dynamic and fastest growing emerging markets globally. In 2018, a continued stellar expansion in manufacturing output, propelled by buoyant export
demand for electronics and supported by robust FDI inflows, primarily fueled solid growth. 2018’s robust growth is expected to spill over into 2019, thanks to healthy private consumption supported by strong private credit growth and rising incomes. The industrial sector also continues to expand at a stellar pace, supported by strong FDI inflows. Vietnam’s 2011-2020 Socio-Economic Development Strategy (SEDS) – a 10-year strategy – highlights the need for structural reforms, environmental sustainability, social equity and macroeconomic stability. The Socio-Economic Development Plan (SEDP) for 2016-2020, approved in April 2016, looks to accelerate reforms.

Why Vietnam?

Vietnam has often been referred to as the Ascending Dragon, both for its geographical shape and its rapid trade and economic acceleration.

- **Vietnam is Queensland’s 6th biggest trade partner**

  **In 2018-19p:**
  - Queensland’s total merchandise export value of $2,141.2M
  - 2.5% of Queensland total merchandise exports and 36.6% of Australia’s total merchandise exports with Vietnam
  - Vietnam is the sixth largest destination for Queensland exports

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Source: ABS Foreign Track (unpublished data)

- **Vietnam has the third-highest rate for startups in Southeast Asia.**

  With accelerator programs, incubators and co-working spaces, Vietnamese cities are becoming fast-paced innovation hubs — especially Hanoi, Ho Chi Minh City and Da Nang. Today, Vietnam’s innovation ecosystem provides exceptional opportunities for Australia’s tech investors.

  One factor driving this innovation ecosystem is a young population. With an average age of just 30, Vietnam's citizens are tech-savvy and digitally active. High rates of internet connectivity and mobile penetration are driving e-commerce and enthusiasm for digital startups.
1. Livestock/Beef/Food Export Market

Vietnam is in the top six fastest-growing meat consumers globally. Meanwhile, total meat supply is estimated to grow at only 1 to 3 per cent per year and therefore not able to meet the demand, especially beef and poultry (Source: BMI, Vietnam Agribusiness Report, Q4 2017). Reasons for shortage include limited areas for grazing and grasslands, inadequate attention to animal feeds and breeders, and practices of small or family-sized grazing resulting in unstable production and quality. In 2010, Vietnamese importers and consumers welcomed the entry of Australian live cattle. Increased live cattle export from Australia helped alleviate the supply shortage.

Since January 2013, imports of Australian cattle to Vietnam have increased rapidly with 68,347 heads in 2013 and more than 360,000 heads in 2015, accounting for 12.8 per cent of the total Australian live cattle exports. Exports of Australian feeder and slaughter cattle are supported by the Exporter Supply Chain Assurance System.

Meat

Coupled with a growing population, urbanisation and increasing incomes, meat consumption has risen significantly over the last decade and is forecast to continue increasing in the coming years to reach four million tonnes in 2019 and to increase 3 to 5 per cent annually (Source: Vietnam Chamber of Commerce, Vietnam Meat Industry- Opportunities and Challenges). Meat (bovine, chilled and frozen beef, pork and chicken) consumption is also rising as consumers move to a more westernised diet. Vietnam is in the top six fastest-growing meat consumers globally. Meanwhile, total meat supply is estimated to grow at 1 to 3 per cent per year and therefore do not meet the demand, especially beef and poultry will be dramatically in shortage.

Relevant import tariffs for meat products from Australia include:

- 5 per cent tariffs on live animals eliminated in 2016
- tariffs on beef reduced to zero per cent from 2018
- tariffs on fresh, chilled or frozen pork reduced to zero per cent from 2017
- tariffs on sheep and goat meat reduced to zero per cent from 2016
- tariffs on edible offal reduced to zero per cent by 2020, except for some poultry offal on which tariffs will be bound at base rate of 20 per cent or phase from 15 per cent to five per cent by 2020.

Dairy

Given the French influence in Vietnam’s history, dairy products are well received and are associated with healthy diets. With higher disposable income, rising health consciousness, new consumption patterns and a growing customer base underpins strong growth in the sector.

Milk consumption will continue to increase over the next few years due to rising incomes and the development of modern chain stores however local production is limited and cannot meet domestic demand. Vietnam relies on imported raw material to meet the
shortage of supply. 70 per cent of raw materials are imported from New Zealand, USA, EU and Australia.

According to the statistics from the General Department of Vietnam Customs, imports of milk and dairy products in 2016 reached US$ 849 million, a decrease of 5.6 per cent compared to 2015. In the first nine months of 2017 import value of milk and dairy products was US$ 650.9 million, increasing 3.49 per cent over the same period in 2016. The largest dairy export market to Vietnam is New Zealand with US$ 165.8 million, accounting for 25.4 per cent of total value, followed on by Singapore, Germany, Thailand, and the US. Dairy imports from Australia decreased 28.44 per cent compared to 2016 to US$ 27.7 million.

**Beverages**

Beer accounts for 94 per cent of alcoholic beverage consumption in Vietnam. In 2016, Vietnam consumed 3.78 billion litres of beer, up 9.3 per cent in 2015, 380 million litres of wine and spirits, and 5.5 billion litres of non-alcoholic drinks (Source: BMI, Vietnam Food and Drink Report Q4 2017 and Statista 2017). Vietnam ranks first place in Southeast Asia for beer consumption, third place in Asia (after Japan and China), and is in the top 25 in the world.

Towards 2021, annual production of beer, wine and spirits, and non-alcoholic drinks will rise to 5.3 billion litres, 250 million litres, and 8.3 billion litres (Source: BMI, Vietnam Food and Drink Report Q4 2017 and Statista). In the future, Vietnam aims to modernise the industry, focusing on food safety, environmental protection, and anti-counterfeits.

The wine imports in Vietnam increased at a stable rate of 10 per cent annually from 2010 till now with an average consumption of 250ml per person per year (Source: Vietnam General Statistics Office). French brands hold 35 per cent market share, Chilean brands 25 per cent, and the rest comes from Italy, Spain, USA, and Australia.

**Processed food**

Processed food and beverages are one of the key industries of Vietnam, contributing to 37 per cent of GDP. The consumption of imported products grows at a low level in Vietnam, mainly at big cities like Hanoi and Ho Chi Minh City. Overall, the country’s food processing industry is disjointed and ruled by relatively small domestic businesses. With the recent investment by foreign consumer goods investors, the industry is expected to become more competitive.

Vietnam’s economy growth, increasing incomes, favourable demographics, rising health awareness and growing investments in the industry will encourage demands for confectionery, especially baked goods. Over recent years, consumption for baked goods has also been growing. Local consumers’ appetite has continued to change and is more accepting of Westernised baked goods like bread, cookies, and cakes.

The domestic pasta market is still underdeveloped although in view of more westernised lifestyle, pasta is more accepted by consumers in urban areas. Meanwhile, the market
for instant noodles is well developed with dominating brand names owned by local companies, and some imported products from Korea, Japan, and Thailand.

Also under the influence of western gastronomy, cheese is also becoming popular for Vietnamese consumers. Cheese records retail volume and value growth of 8 per cent and 10 per cent respectively in 2017, reaching 6,871 tonnes and VND 1.7 trillion in 2017. Trends from food service has affected retail cheese positively in 2017. The higher inflation rate caused imported brands’ prices to rise, and the impact of Western culture and cuisine caused volume sales to increase. Packaged hard cheese posted the fastest value growth of 2017, with a 12 per cent sales rise. Reconstituted cheese was the main type of spreadable processed cheese in 2017, with a 96 per cent value share.

2. E-commerce

E-commerce has taken off in Vietnam thanks to soaring internet connectivity and smartphone adoption, a young tech-savvy population, and rising disposable incomes. The appetite for online shopping is growing and the number of licensed e-commerce platforms is expanding rapidly. The development of Vietnam’s online industry can be broken down into three distinct periods: 1998 to 2005: the establishment of the first ever internet infrastructure 2006 to 2015: mass proliferation of the internet. Almost 50 per cent of the population goes online for the first time, allowing Vietnamese to engage in e-commerce every day 2017 to 2020: further expansion, with e-commerce crossing into new areas of the economy.

Key Drivers

- Rise of a connected – Mobile first population
- Dramatic increase in E-commerce platforms

Key Players

i. Lazada

ii. Thegioididong

iii. Tiki

iv. Shopee

v. Sendo

vi. Adayroi

vii. Lefair
Vietnam’s online shopping cart value per capita is still low in comparison with other markets. This can be attributed in part to Vietnam’s low GDP per capita. In 2017, online shopping cart values averaged US$23 per shop in Vietnam, compared to US$42 in Thailand and US$36 in Indonesia.

Even after a decade of rapid economic development and huge improvements in the country’s overall quality of life, Vietnam’s GDP remains significantly lower than most other Southeast Asian nations.
3. Retail Supply Chain

Market Overview

According to the Vietnam Textile and Apparel Association (VITAS), 2018 was a successful year for the textile and garment industry with a total export turnover of over 36 billion USD, up over 16 percent year-on-year, making Vietnam one of the three biggest exporters of textiles and garments in the world.

The upcoming enforcement of new generation free trade agreements is a positive factor supporting for production and business activities of the sector in 2019.

On that basis, VITAS has set a target of 40 billion USD in export turnover, up 10.8 percent compared to 2018. The sector is expected to enjoy a trade surplus of 20 billion USD, and create employment and increase income for 2.85 million workers—accounting for more than 12% of the industrial workforce and nearly 5% of the country’s total labor force.

Vietnam textile and garment industry consists of two major parts: textile and garment. The textile sector includes fiber spinning, shuttle weaving, dyeing and finishing. The garment sector uses the main material as fabric and some other accessories such as thread, lace, button, etc., through designing, cutting and using the sewing machine to make the final garment. The textile and garment enterprises are businesses operating in the field from spinning, weaving, dyeing, and finishing fabrics to materials such as thread, laces, buttons, cutter, auxiliary equipment and final products.

Main markets

1. Main markets and products. The products of Vietnam’s textile and garment industry are sold in both domestic and foreign markets. In the domestic market, they are sold in markets, retail stores, supermarkets, trade centers and accounts for about 14%. The products of Vietnam’s textile and garment industry are exported to more than 180 countries and territories worldwide (Le Hong Thuan, 2017). In particular, the main markets are the United States, the EU, Japan, Korea, and some other markets such as ASEAN, Canada, China, and Taiwan.

Global Brands

As for garments consumed domestically, distribution activities are being carried out by some Vietnamese brands which are familiar with consumers such as Format, NEM, Seven AM, Eva de Eva, Chic-land, Ivy Moda, Elise, Ninomax, Canifa, Aristino.

Vietnamese exports are expected to increase from major buyers as Auchan, Best Buy, Carrefour, Fossil, Hong Kong Disneyland, K-Swiss, Li & Fung, Marks & Spencer, Quiksilver, Swarovski, Target and Tesco, Under Armour, Lacoste, Primary, PVH, SANMAR.

Market breakdown

CMT (Cut - Make - Trim): this is the easiest export method of textile and garment industry and brings the lowest added value. Businesses following export method of CMT only need the basic understanding of design patterns and the ability to produce finished product.
OEM/FOB (Original Equipment Manufacturing): The activities under the FOB have significantly changed based on forms of the actual contractual relations between suppliers and foreign buyers and are divided into 2 types (FOB level I and FOB level II). Regarding FOB level I, businesses will purchase inputs from a group of suppliers specified by buyers. This method requires garment enterprises to bear the financial responsibility for the procurement and transportation of materials. Regarding FOB level II, businesses will receive product designs from foreign buyers and take full responsibility for sources of raw materials, production, and transportation of raw materials and finished goods to ports specified by buyers. The bottom line is that businesses must find the material suppliers with capability of providing special materials, and having confidence in the quality and delivery time.

ODM (Original Design Manufacturing): this method of production for export includes the design and production process of purchasing fabric and materials, cutting, sewing, finishing, packaging and shipping products. The ability to design reflects the higher level of knowledge of the providers and Distributing / Marketing s Textile sector Dyeing/ finishing Fabric Brand Garment sector Design Raw materials sourcing Cutting/ sewi CMT OEM/FOB ODM OBM Weavi Business & IT 02/2018 50 therefore will bring higher added value for products. ODM businesses create designs, finish products and sell them to buyers, which are most of the owners of major brands in the world.

OBM (Original Brand Manufacturing): this method of production is improved based on method of OEM, but the manufacturers are responsible for their own designs and sign domestic and foreign goods’ supply contracts for their own brands. Manufacturers in developing economies following OBM method mainly distribute products in their domestic market and markets of neighboring countries.

**Footwear**

Many of the largest footwear brands in the world – Nike, Adidas and Puma, among others – all have factories in Vietnam. In fact, Vietnam is the fourth largest producer of footwear in the world. Only China, India and Brazil make more. And with the Trans-Pacific Partnership (TPP), this market will continue to grow. There’s a good chance the shoes you’re wearing right now were made in Vietnam.

**Furniture**

According to the Italian Centre for Industrial Studies, Vietnam is ranked number eight in the world in terms of furniture exports. Large furniture retailers around the world send their designs and specifications to Vietnamese manufacturers, which they then build and export. More recently however, local companies have been expanding their design capabilities. These companies intend to develop their own research and development programs, so they won’t have to rely on foreign companies anymore.

**Coffee**

The highlands of central Vietnam are perfect for growing the Robusta strain of coffee, and even though Vietnamese people drink a lot of it themselves, there’s still plenty left over for exporting. In fact, Brazil is the only country in the world that exports more coffee than Vietnam.
**Leather**

If you’re a tourist in Vietnam and aren’t opposed to wearing leather, we highly recommend you get some custom pieces made. You can find so many amazing, fashionable pieces of clothing and accessories here, and all for a great price – especially in a place like Hoi An.

**Fruit, vegetables and nuts**

Anyone who’s ever been to a fruit market in Vietnam knows all about the wonderful variety of fruit and vegetables that are available here. This segment of the economy is growing quickly as well, increasing by approximately 43% in 2017. And here’s a strange fact to finish off with: Vietnam is the largest exporter of cashew nuts in the world.

**Labour Force**

Incomes of laborers in the textile and garment sector are not high at about 5.6 million VND/person/month (AU$350.00)

Labor quality in textile and garment enterprises has received much attention, investment and improvement in recent years, but labor productivity is still slightly lower than other countries in the region.

**Size of Business**

There are about 6,000 companies operating in the textile and garment sector in Vietnam, of which small and medium enterprises account for a large proportion. In terms of ownership, about 84% of textile and garment enterprises are private; 15% are foreign invested enterprises and about 1% is SOEs. By sector, about 70% of enterprises are in of the garment sector, 17% of enterprises are in the textile/knit sector, 6% of enterprises are in the yarn sector, 4% of enterprises are in the dyeing sector and 3% of enterprises are in the supporting industries. 02/2018 Business & IT 51 In terms of geography, enterprises in the north occupied about 30%, enterprises in the central and highlands occupy 8%, enterprises in the south occupies about 62%.

**Impact of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership**

CPTPP member countries agreed to eliminate duties on 97% to 100% of tariff lines for imports from Vietnam that qualify under the applicable rules of origin. For example, Canada agrees to eliminate duties in 95% of tariff lines, which accounts for 78% of the total value of exports from Vietnam.

**Global Case Study - Coates Cotton**

Coats is the world’s leading industrial thread manufacturer and a major player in the Americas textile crafts market. At home in some 50 countries, Coats employs 19,000 people across six continents. Revenues in 2017 were US$1.5bn.
The geographic location of Vietnam is an important part of the global footprint of Coats. It is a major hub in South East Asia for worldwide apparel sourcing. As Asia moves from being primarily a manufacturing base to also being one of the world’s largest consumer markets, including an increasing demand for high-end garments, the manufacturing output from its factories is increasing.

Digital is a key pillar of the Coats strategy and Vietnam was an early adopter of Coats eComm, the industry leading customer tool to make thread ordering easier and faster. It manufactures many of Coats’ newest and most innovative products including EcoVerde, the first range of premium threads to be made from 100% recycled post-consumer recycled core spun thread. It also produces flagship thread ranges such as Epic as well as Performance Materials yarns.

The additional capacity makes the Hung Yen site one of Coats’ largest manufacturing units. It will enable dyeing and finishing operations to be increased by over 40% and also provides additional warehouse space. The site, which is already a leader in many of the internal manufacturing performance metrics of Coats, demonstrates the company’s recognition of the growing customer base in the north of Vietnam.

4. Energy
   Mining

With an economic growth rate forecast of 6.3 per cent in 2017 (IMF), Vietnam is forecast for steady growth from 2017 to 2020 at around 6.3 to 6.4 per cent (Source: BMI Q4 2016). The recently approved Vietnam Power Development Plan 7 and the Vietnam Mining Development Strategy have set out the clear objectives between 2016 to 2030 as follows:

- developing a sustainable national energy and mining industry
- diversifying and securing energy and resource supplies
- making refinery and downstream processing on minerals mandatory
- address political and environmental pressures to drive economic returns to the nation

Vietnam’s key mineral endowment includes: coal, bauxite, rare earth, tungsten, titanium, phosphate rocks and iron ore.

Coal remains one of the primary energy sources for the domestic market. Vietnam turned from a net coal export country into net import country in 2016. With the rising energy demand and industry sector development, the pressure will be on coal supplies. In 2017 Vietnam expects to produce around 37 million tonnes of coal and an estimation of imported coal of over 11.7 million tonnes, mainly to supply the cement and power industry.

With the exception of coal, bauxite and titanium, most deposits discovered to date have been found to be too small to be economically viable for most international companies. Foreign investment in mining has been minimal, constrained by high royalty, regulatory issues, investment and market access challenges.
Australian interest in Vietnam’s mining sector is small but growing, largely in the management and operations of local and international mines, as well as the provision of Mining Equipment, Technology and Services (METS).

Vietnam has great coal reserves, concentrated in the northern area in Quang Ninh province and the Red River Delta basin.

Vietnam has discovered more than 5000 new minerals and deposits, reviewed a number of minerals and natural resources such as: oil and gas; coal, titanium, bauxite, phosphate rocks, rare earth, copper, gold, iron ore, mineral construction materials and some others.

Many of the open cut mines are depleting and trends are shifting toward more advanced technologies and investments in underground mining.

Local Players

The state-owned company, Vinacomin Group, which operates most of the coal mines in Vietnam produced 37 million tonnes of coal in 2016.

There are 22 open cut mines ranging from those with small capacity of hundred thousand tons up to three million tons and about 23 underground mines ranging from small capacity up to 2.5 million tons, plus a number of underground mine projects. Vinacomin is the owner and major shareholders of minerals mining businesses including:

- Sin Quyen Copper Complex
- Lam Dong Alumina and Bauxite
- Nhan Co Alumina and Bauxite

Projects including:

- Ta Phoi Copper
- Thanh Hoa Chromite
- Thai Nguyen Zinc
- Thach Khe Iron ore
- Song Hong Energy Coal
- Binh Thuan Titanium.

Another major mining company, the military based Dong Bac Corporation, produced five million tons of coal in 2016. The company also expanded business into minerals including iron ore, manganese, copper and marble.

Opportunities

Vietnam is seeking to increase production of its deeper anthracite reserves with high quality grade and expand its coal fired power sector. Specific areas of opportunities include:
• Coal supply including power generation, steel production and other industry applications
• METS across the supply chain to local and international mining companies
• Mining education and training e.g. sustainable mining, mine safety, environmental management and mineral processing.
• Transfer of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) - a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves.

Australian METS have been well received by the local industry. Local, private and foreign mining operations and projects for both open cut and underground mining include:

• Lao Cai Phosphate Rock mining
• Nui Phao tungsten mine and processing plant in Thai Nguyen province
• private mineral sand mines along the coast line in the South of Vietnam from Vung Tau to Binh Thuan province
• various construction materials mines including lime stone, cement and marble.

Trade and investment opportunities

• Hoa Phat Group: coking coal and iron ore trade and investments
• An Vien Group: Thermal coal investment

**Competitive Environment**

The industry is dominated by the state-owned companies (Vinacomin and Dong Bac Corporation). Foreign competition from a METS perspective is largely from China, Poland, Russia, Sweden and Germany.

**Oil & Gas**

The majority of Vietnam’s oil and gas reserves are located offshore in the Cuu Long and Nam Con Son basins, in the south of Vietnam. The government has been trying to attract investment into exploration and production in new deep-water blocks as oil and gas consumption growth continues to run ahead of production. Onshore, the investment focuses on thermal power plants including gas-fired.

Over the past few years, the government has planned to import Liquefied Natural Gas (LNG) to meet the increasing energy demand of the country. Due to its cleaner attributes, LNG holds a bright prospect when Vietnam is committed to cutting down on greenhouse emission. Importation of LNG also requires development of LNG receiving terminals, pipeline distribution network, and associated facilities. However, the LNG import plan is likely to be disrupted by the above mentioned project pipeline.
Fuel wholesaling is carried out by government run companies, besides PV Oil, all of which have been licensed to import petroleum products, such as:

- Petrolimex, the country’s largest fuel importer and distributor, under the Ministry of Industry and Trade
- PetroVietnam Trading Company (Petechim) and PETEC, PV Oil’s subsidiaries
- Military Petroleum Company under the Ministry of Defence
- Saigon Petro covering the South Central Vietnam and Mekong Delta market.

The refinery and petrochemical industry is a growing sector in Vietnam. The government ambitiously aims to develop Vietnam into a refinery hub of choice in the region.

Gas fired power generation is also becoming an important contribution to Vietnam energy market. PVN and Electricity Group of Vietnam are the two main investors. All of the coming gas-fired power plants are to be located in the central and south of Vietnam, using gas output from nearly all gas fields (Blue Whale, Block B, Bao Vang, Lan Do).

**Opportunities**

Under its World Trade Organization commitments, the Vietnamese government has opened its oil and gas sector to foreign companies, which it hopes will bring in capital, expertise and technologies to help achieve the country’s major industry goals.

In its restructuring scheme PVN plans to focus on five crucial areas including:

1. exploration and production
2. refinery and petrochemical
3. gas industry
4. power generation
5. oil and gas technical services.

Vietnam’s expanding offshore exploration and production has created a steadily growing market for oil and gas equipment and services. Opportunities exist in the following areas:

- search, survey and exploit in deep offshore water
- EOR: boost oil recovery from mature fields through advanced technologies
- technologies to optimise E&P in deep-water fields, processing of natural gas
- EPC, consulting services for deep-water field development.

In the downstream sector, opportunities can be found in a number of areas including:

- consulting services to establish competitive gas market
- investment in LNG terminal, gas-fired power plants, and refinery projects
- EPC, engineering and consulting services for LNG terminal development, gas pipeline system, and combi-cycle power plants
• services and equipment supplies for the aforementioned projects
• supplying LNG
• technical training, corporate and executive training across upstream and downstream sectors.

**Competitive environment**

There are international interests in the Vietnam oil and gas market, with existing international players in both upstream and downstream. In the upstream, there are around 30 international stakeholders operating through production sharing contracts, business cooperation contracts, joint ventures, joint operating contracts with PVN and its subsidiaries (PetroVietnam Exploration and Production).

In the upstream, foreign businesses with a presence in the oil and gas market include:

- Australia: Santos, Pan Pacific Petroleum
- Italy: Eni
- Japan: MOECO, JX Nippon
- Korea: SK Energy
- Malaysia: Petronas
- Russia: Rosnesf, Gazprom
- Spain: Repsol
- United Kingdom (UK): Premier Oil, Soco
- United States (US): Murphy Oil, ExxonMobil.

In the downstream, companies from Japan, Kuwait, Russia, Thailand, UK and US have interests in the refinery and petrochemical sector. PVN is calling for more foreign investment into the segment.

**Power Market**

Growing demand puts pressure on the national grid and the current generation capacity of 46,149 megawatts is expected to be outpaced in the near future. The short-term solution is to import electricity from neighbouring countries (China and Laos). In the long term, the Government of Vietnam aims to ramp up the installed capacity with a diverse energy mix, reflected in the revised Power Development Plan (PMP) VII 2016. In particular, the installed capacity is set to reach 75,000 megawatts (by 2020), 85,000 megawatts (by 2025), and 116,000 megawatts (by 2030).

**Renewables market**

Vietnam is said to have excellent potential for developing renewable energy, yet it has the lowest adoption rate in the region and is at a very early stage. The entire country is located in the tropical belt between the equator and the Tropic of Cancer and Vietnam has high potential for solar energy, especially in the central and
southern area of the country. Vietnam shows an average global horizontal irradiance (GHI) of 4-5 kilowatt-hour/m²/day in most southern, central regions and peak irradiation levels of up to 5.5 kilowatt-hour/m²/day on average in some southern regions (equivalent to about 2,000 kilo-watt-hour/m²/year) (Source: GIZ, Solar Energy in Vietnam 2016). Decree 11/2017/QĐ-TTg and Circular 16/2017/TT-BCT demonstrates the Vietnamese government’s commitment to encouraging the development of solar power in Vietnam, reflecting the investment trends and interests in line with new climate priority.

In terms of wind energy, the country is bestowed with a long coastline of over 3,000 kilometres and the average wind speed per year ranges from 5.5 metre/second to 7.3 metre/second, which are favourable conditions for wind energy development. The technical potential for wind power development in Vietnam is estimated to be around 8000 megawatts, covering a land area of 2,681 kilometre². However, up to May 2017, only 146 megawatts of wind power has been put into operation (Source: MOIT, 2017).

Opportunities

Since the government opened up the power generation sector with a series of reforms to attract investment, there are significant opportunities for international players. In the generation segment, the government is calling for investment from IPPs to build more thermal power plants in accordance with the revised PMP VII. The construction of power plants offer a wide range of opportunities for equipment manufacturers, energy consulting companies and EPC.

In the transmission and distribution segments, technologies and solutions that optimise operation, reduce cost and energy loss, and increase productivity are also of high interest to the market. Solutions for developing smart grid and undergrounding electricity cables are also highly placed in the development strategies of power corporations in big cities such as Hanoi and Ho Chi Minh City. The government’s vision to create a competitive electricity market also provides opportunities for professional consulting firms.

To tackle climate change and reduce greenhouse gas emission, the government is determined to encourage the development of renewable energy including solar, rooftop solar and wind energy as well as new technologies such as smart grids and micro grids.

5. Healthcare/Aged Care

Healthcare expenditure in Vietnam in 2016 is estimated at US$ 14.9 billion and expected to reach US$ 21.6 billion by 2020 (Source: BMI, Vietnam Pharmaceuticals & Healthcare report, November 2016). Key market drivers are a large and expanding population, rising incomes and improved access to healthcare services. Ongoing healthcare system reforms will continue to focus on expansion and improvement of access to health services, stronger regulatory frameworks, balancing between public healthcare coverage and higher private spending on healthcare toward financial sustainability.
The development priorities for the sector include:

• improving basic and preventive health-care services
• developing human resources and information systems
• renovating health service operations
• developing pharmaceuticals and bio-medical products
• investing in advanced technology lines to improve domestic production.

Key Markets

• Healthcare services
• Pharmaceuticals
• Vitamin and nutritional supplements
• Aged care services
• Medical devices
• Digital health technology

Key Players

• Sanofi-Aventis
• Bristol-Myers Squibb
• GlaxoSmithKline
• Roche and United Lab
• HauGiang Joint-Stock Co
• Vipaco and Vabiotech

6. Water Management

With a population of almost 93 million (with 33.6 per cent of the population residing in urban regions) the country aims to become an industrialised nation by 2020 but faces challenges as a growing population, rapid urbanisation and industrialisation are putting more pressure on the water and wastewater management of the country.

According to Media Analytics Ltd, the demand for water for both residential and industrial purposes has not been fully met in Vietnam since 2000 because of inadequate, ageing and inefficient water and wastewater infrastructure. Due to the limited expansion of water supply systems in urban areas, there is a lack of water connections in some peri-urban regions and smaller towns. Only 10 per cent of city households’ wastewater is treated.

Opportunities

Opportunities in the water sector include:

• Urban and industrial water: system design, asset management, sustainable cities, recycling water and wastewater especially in emerging industrial zones
• Agriculture: irrigation technology, surface and groundwater management, leakage control, smart systems, water accounting and flow management

• Mining: mine planning, aquifer management, mine water quality, wastewater treatment and monitoring and testing

• Improvement of municipal water and wastewater treatment facilities through new constructions and by retrofitting treatment plants.

**Competitive environment**

There is high level of competition especially when it comes to foreign funded projects. Competition primarily comes from companies of the following nations:

• Finland
• France
• China
• Germany
• Japan

**7. Transport/Infrastructure**

Due to severe shortage in logistics and shortages of electricity, Vietnam has a strong project pipeline in power and transport. The Vietnamese Government is trying to draw investment from the foreign private sector to attract not only equity but also specialised technical knowledge into these projects. Ongoing regulatory reforms and privatisation of state-owned enterprises encourage the private sector to maintain and increase their existing level of investment in infrastructure.

Rapid urbanisation in Vietnam is a strong growth driver for the development of the transport and utilities sector. The rising population in major cities in recent years has strained and exceeded capacity of the existing connectivity networks and utilities systems. With 50 per cent of Vietnam’s population expected to be living in cities, Hanoi and Ho Chi Minh are building rapid transit systems exceeding US$ 22 billion in the hope of reducing private vehicle ownership and improving air quality.

There are 44 planned PPP projects with total investment value worth up to US$ 120 billion in the road and power sectors. However, the government lacks fiscal capacity to meet financing requirements for large infrastructure projects, Vietnam is gradually liberalising various industries and embracing PPP through decisions in 2014 and 2015 to lift restrictions on foreign real estate investments and ownership. This effort will help improve the attractiveness of Vietnam for PPPs.

**Opportunities**

It is expected that the transport infrastructure industry value alone will grow by an average of 4.5 per cent year-on-year between 2017 and 2025 *(Source: Business Monitor, Infrastructure Report Vietnam Quarter 3, 2016).*
The projected growth in construction and related services in transportation include:

- expressways
- metro/monorail
- airport and urban development
- industrial and residential waste treatment

The increasing adoption of Build Operate Transfer (BOT) and PPP models and the track record and reputation of Australian infrastructure expertise, technology, equipment and services offer significant opportunities for businesses in the medium to long term, especially in:

- architecture
- consultancy services and technical assistance
- engineering services
- concept design
- construction management
- project management

Other areas of opportunity also include: supply of metallic materials (aluminium, steel sheets), high-end architectural interior products and designs, fire safety and building materials (energy efficient, HVAC, lighting and high end building materials).
CURRENT BUSINESS SITUATION

With an increasingly deregulated business environment and ambitious reform, Vietnam has experienced robust growth with average GDP growth of 6 per cent in the last 20 years (World Bank, GDP growth, 2016). GDP grew by 6.8 per cent in 2017 (fastest in the last 10 years) and is projected to grow by 7.1 per cent in 2018 and 6.8 per cent in 2019 according to Asian Development Bank.

“Vietnam continued to surprise the region and the world by the depth and pace of economic integration and regulatory reforms, which led to a significant improvement in the investment environment.”


ECONOMY

Vietnam has a dynamic economy with average GDP growth of 6 per cent in last 20 years (6.8 per cent in 2017). The Vietnamese Government is gradually liberalising foreign investment and the legal system is also undergoing major change to better align commercial statutes with international norms. Recent participation of foreign companies into leading state-owned enterprises showed the government’s determination to accelerate a plan to reduce holdings in state-owned firms.

The Vietnamese Government is gradually liberalising foreign investment and the legal system is also undergoing major change to better align commercial statutes with international norms. Foreign direct investment (FDI) has significantly increased and hit a record high of US$35.88 billion in 2017 (Source: General Statistics Office of Vietnam). Over 70 per cent of the total FDI figure is represented by the technology manufacturing sector which indicates that Vietnam is indeed being looked at as the new manufacturing hub for Asia.

Vietnam is emerging as a manufacturing hub for electronics (Samsung, LG, Intel). Given the availability of cost-competitive labour, an ambitious program of major infrastructure developments and international trade links, Vietnam has quickly established itself as a go-to destination for labour intensive and increasingly advanced manufacturing.

GDP per capita: US$2,385 (Source: General Statistics Office of Vietnam)
WORKFORCE AND GROWING MIDDLE CLASS

Vietnam has a growing population of around 95 million in 2017 (Source: World Bank 2017) with a young and dynamic workforce. It also has the fastest growing middle class in ASEAN, from 12 million in 2012 to expectedly 30 million in 2020.

Vietnam has advantage of the golden population structure, with median age of 30, 60 per cent of the population. Currently, 70 per cent of the population is under 35 years of age (Source: World Bank).

Vietnam has an educated, young digital-savvy generation with high mobile commerce penetration.

POLITICAL ENVIRONMENT

Vietnam has a very stable socio-political environment with an increasingly deregulated business environment.

It has significantly improved the ease-of-doing-business index in the past years, now standing at 68th in the 2017 ease-of-doing-business index.
MOVING UP THE VALUE CHAIN TO AVOID THE MIDDLE INCOME TRAP

The country has been moving up from low value-add agriculture to high-tech agribusiness and diversified the key sectors from agribusiness to services.

Vietnam is one of the countries that are active in embracing Industry 4.0 across all sectors. This has also boosted the quality of education in the country.

FREE TRADE AGREEMENTS

Vietnam proactively participates in various free trade agreements, showing its rapid integration into global economy. The FTAs have further boosted international trade and foreign investment into Vietnam (TPP11, RCEP, AEC, 11 more regional FTAs with a few more under negotiation)

TRADE RELATIONSHIP WITH AUSTRALIA

In the five years prior to 2016-17, Vietnam was one of Australia’s fastest-growing trade markets in the ASEAN region, averaging 11.9 per cent in annual growth.

Total two-way trade between Australia and Vietnam in 2016-17 was valued at AUD$11.8 billion. Vietnam is Australia’s fifteenth largest trading partner, and Australia is Vietnam’s seventh largest trading partner.

• Total two-way goods trade for 2016-17 was AUD$9.1 billion.
• Total two-way services trade for 2016-17 was AUD$2.8 billion.
Trade Mission Prospectus

Economy, Trade - Highlights of Vietnam-Australia relations

February 26, 1973
Establishment of diplomatic relations

September 2009
Establishment of Comprehensive partnership

March 2015
Signing of the Declaration on enhancing the Vietnam-Australia comprehensive partnership

March 2018
Establishment of Strategic partnership relations

Strong Trade Turnover Growth (in USD)

<table>
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<th>Year</th>
<th>Export</th>
<th>Import</th>
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<td>1.59</td>
<td>3.51</td>
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<td>2019</td>
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</tr>
</tbody>
</table>

Australia ranks 20th among 132 countries & territories investing in Vietnam (As of July 20, 2019)

Projects: 465
Total investment capital: 1.89 billion USD

Vietnamese students, postgraduate in Australia
~31,000

Australian students in Vietnam
~2,500

Focusing on following

- Economic reform
- Capacity enhancement
- Gender equality
- Livelihood improvement

Australia is one of the largest providers of non-refundable ODA to Vietnam

78.2 million AUD (2019-2020)

Source: MoFA, MPI, General Department of Vietnam Customs

http://infographics.vn
BUSINESS PRACTICES

Establishing contacts and networks often requires introduction through an existing contact or an official channel such as Austrade. ‘Cold calling’ is usually not appreciated. Visible anger or disappointment is considered as a sign of personal weakness, and will harm achieving your goals. Moments of silence are acceptable during negotiation. Don’t feel obliged to fill the silence.

Handshakes are appropriate in a business context, hugging or kissing are not. The exchange of business cards is important and a sign of respect to have them in Vietnamese and English. Always receive cards with both hands and carry a large supply, even for short visits.

Most of your contacts in foreign investment companies will speak some English, but this may not be the case at government ministries and state owned enterprises.

The full name is only used on extremely formal occasions. A person’s first name is used in a business context as well as in private. The surname comes first in a Vietnamese name, followed by the middle and given name e.g. Nguyen Hong Lan. In this case, the person should be addressed as Ms. Lan. Following this pattern, Vietnamese people will often address Australians by their title and first name e.g. Mr. Greg. This is neither intended as a sign of intimacy nor of disrespect.

SETTING UP IN VIETNAM

Vietnam is ranked 68 out of 190 economies (Source: World Bank, Ease of doing business 2017) in ease of doing business index.

The government has done an ambitious structural reform, which tackles economic challenges such as public debts, SOE equitization, non-trade barriers as well as environmental sustainability, social equity and emerging issues of macroeconomic stability.

However the bureaucratic nature of Vietnam’s economy, frequently changing regulations, the importance of personal contacts and cultural specifics make a trusted local business partner a valuable asset. Established trading companies are a viable alternative.

Vietnam is now the 6th Trading Partner for Queensland (above that of the US) and with the PM being in Vietnam, and the current move of China’s manufacturing to Vietnam creates a unique opportunity for trade/investment.

In 2018 the World Economic Forum release a report on Vietnams Economic Miracle. [Visit YouTube Video][1] - In 1993 over 60% of the population was below the poverty line with a GDP per Capita of US$230, in 2016 less than 14% or the population were below the poverty line, and GDP per capita was

Almost US$2500 (this year it is almost US$6000).
For more information
Email:

Simon@Whitecorpinternational.com.au

THANK YOU