

INDO-PACIFIC

INSIGHT SERIES



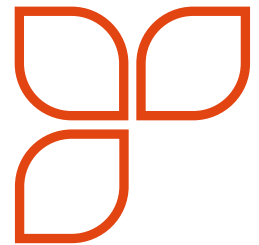
Vietnam as a G20 country: towards an Australia- Vietnam economic partnership

To continue the economic growth Vietnam has experienced since its Doi Moi reforms started in 1986 and to secure its strategic position in the Indo-Pacific region, Vietnam is seeking economic and strategic partners in the region. Today, Australia is poised to establish a strategic partnership with Vietnam. Since the end of the Vietnam War, Australian foreign policy has supported Vietnam's integration into ASEAN and the global economy. Australian businesses were early investors in Vietnam's growing economy. This shared history serves as a strong foundation for an economic partnership.



EXECUTIVE SUMMARY

- High-speed economic growth will propel Vietnam to a place among the world's twenty largest economies in the next 25 years
- Australia played an early role helping Vietnam restore its relations with the international community during the 1990s, and was among the first Western countries to establish economic relations with Vietnam
- Vietnam has recently emerged as a security partner, but there is a strong case for an economic partnership
- Australia can help Vietnam avoid the “middle income trap” by increasing worker productivity, education, infrastructure and access to Australia's market
- To strengthen economic ties, Australia should take full advantage of the Australia-Vietnam Joint Trade and Economic Cooperation Committee to advance an economic partnership. Businesses and government should establish a bilateral business summit to promote Vietnam as a high-growth market and highlight the success of Australian businesses already there. Through its engagement strategy, Australia should encourage Vietnamese who were educated in Australia to build business ties with Australia.



INTRODUCTION

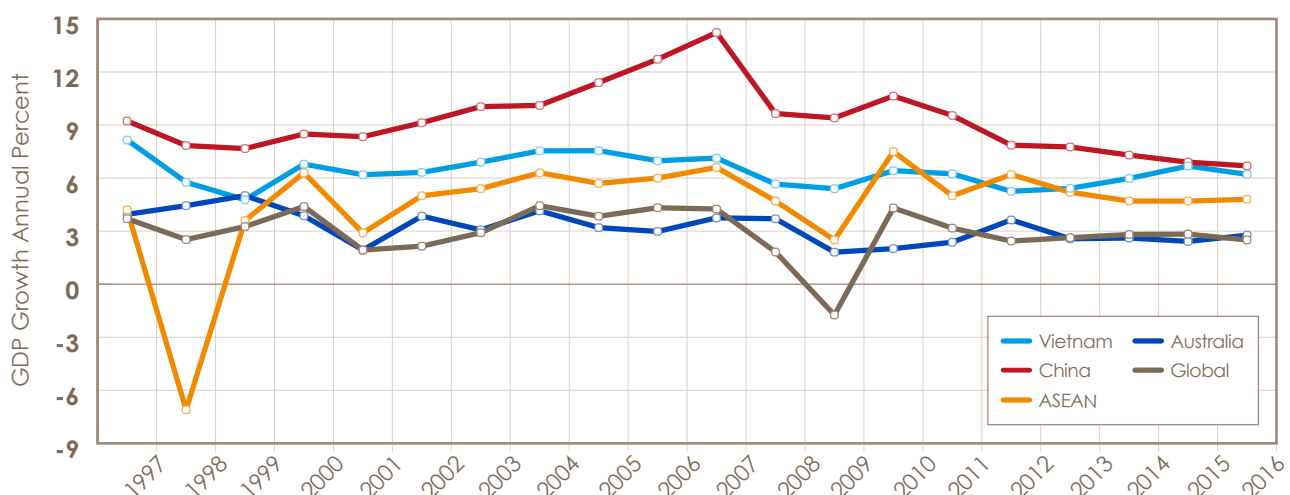
By the year 2050 we will witness a significant transformation in the economic and political order in the Indo-Pacific region. Today's emerging markets will become the economic giants of tomorrow. Indonesia and India will climb up the ranks, growing at a rate twice as fast as incumbent G20 nations like the U.S., Japan, Germany and the United Kingdom¹. Vietnam is estimated to progress from the world's 32nd largest economy and become one of the top twenty largest economies within the next two decades. While Australia's status as a developed economy will continue, it is predicted Australia will fall behind from 19th to 28th place and as a result, Australia will find itself in a geographic region of economic giants. In terms of growth, PwC predicts that Vietnam's average real GDP growth will be 5 percent per year compared to Australia's 2.7 percent per year estimate.

Geopolitical trends have given the surrounding context a lot of uncertainty. Assessments of America's influence and its role in Asia have diminished since the 2016 election of President Donald Trump². The American exit from the Trans-Pacific Partnership trade agreement soon after President Trump's inauguration and his decision not to attend the East Asia Summit are

both clear signals of his administration's lack of interest in shaping the economic and political future of the region. Alongside the wavering influence of the US looms the rise of China, over which hangs the question of whether or not it will behave like a responsible power in the region. Vietnam has the South China Sea, a bitter border conflict in 1979, and over a thousand years of history to remind it of the fact its giant northern neighbour is not always peaceable. These sharp geopolitical realities justify Australia's and Vietnam's pursuit of a strategic partnership.

A case not often presented is the justification for an economic partnership. Vietnam is looking for reliable partners to help keep its ascendant economy on track and continue its integration into the global economy. A distinct opportunity presents itself to build a stronger relationship with Vietnam that is in line with the trajectory of the Indo-Pacific region, which not only focusses on security and strategic partnerships, but on economic opportunities as well. The story of Vietnam's domestic economic transformation since the end of the Vietnam War and Australia's early role in that transformation sets a strong precedent upon which an economic partnership can be built.

Figure 1: Vietnam comparative GDP growth



World Bank national accounts data (<https://data.worldbank.org/indicator/>); ASEAN Statistical Yearbook 2016/2017, 2008, 2005 (<http://www.aseanstats.org/>)

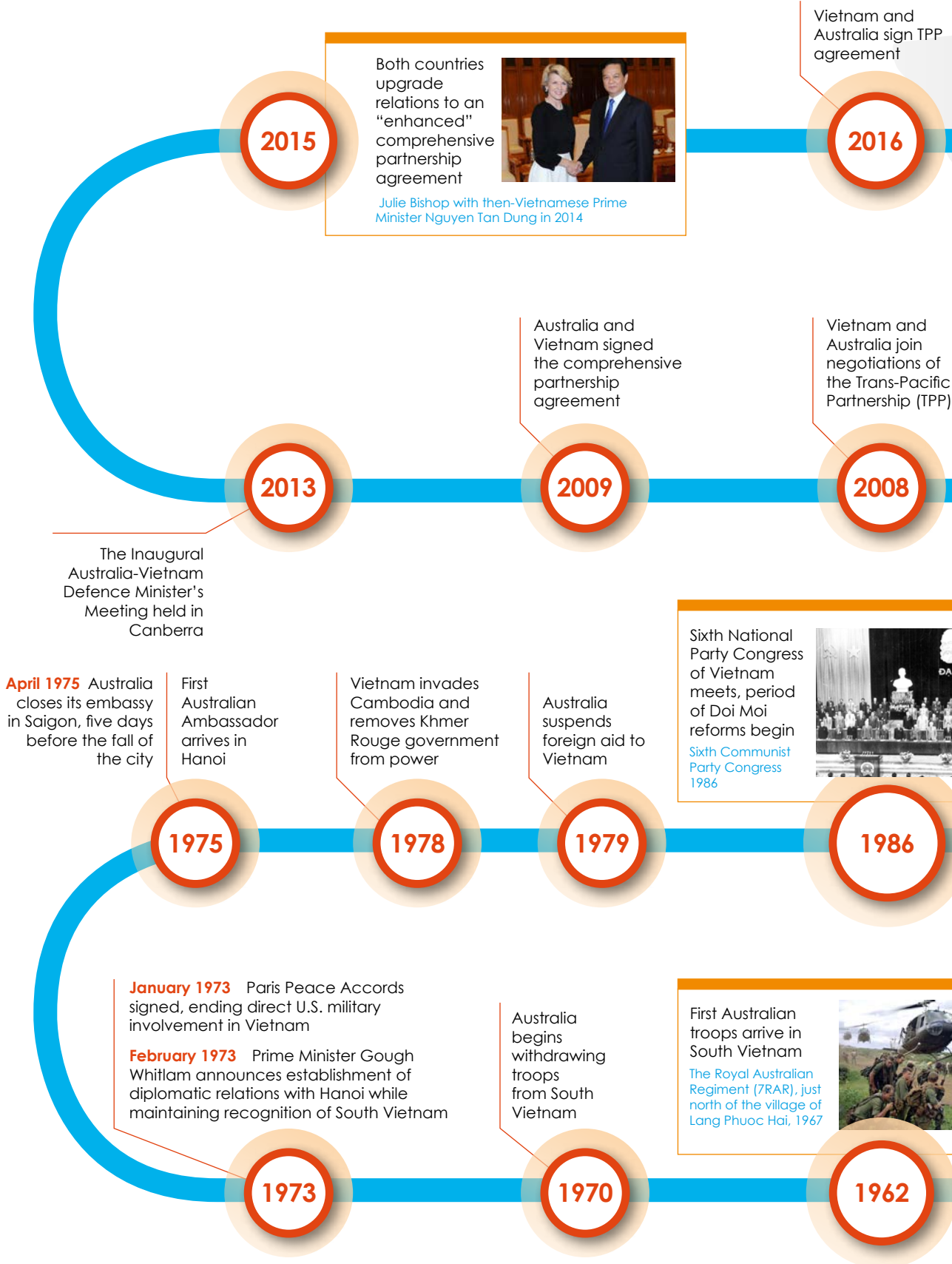
¹ "The World in 2050" (2017), PwC. Available online: <http://www.pwc.com/world2050>

² "The Six Nation Survey: America's Role in the Indo-Pacific" (2017). Perth USAAsia Centre, United States Studies Centre, et al. Available online: <http://perthusasia.edu.au/arip>

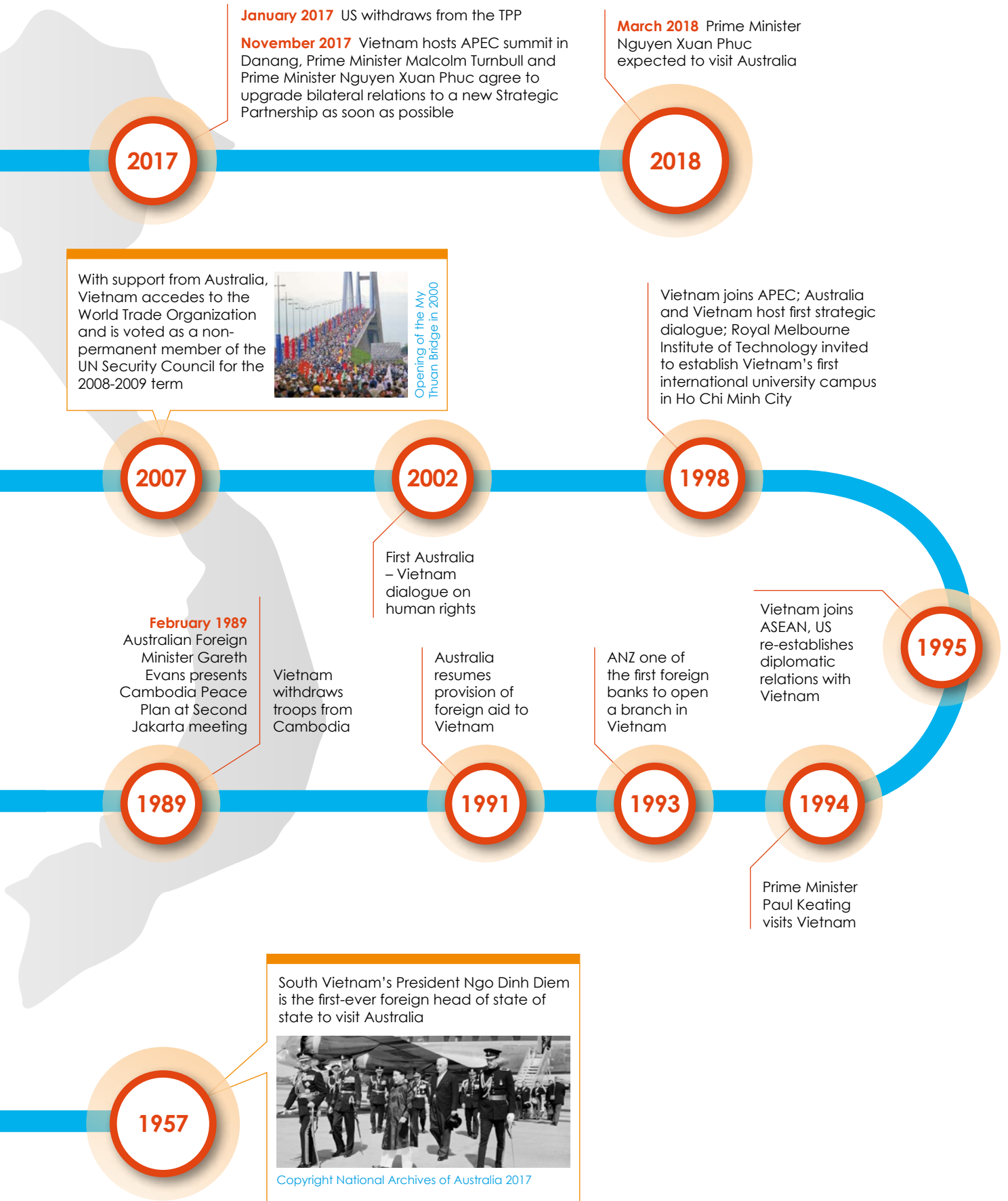


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TIMELINE: AUSTRALIA-VIETNAM RELATIONS



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VIETNAM'S MARKET REFORMS: 1986

Ten years after a long and devastating war with the US, Vietnam found itself isolated, vulnerable and in a state of economic crisis. Vietnam ranked among the world's poorest countries; its poverty rate was around 75 percent in 1990³. Reconstruction after the war failed to boost a crumbling economy beset by inflation. Five-year economic plans had consistently failed to deliver growth and increase production in the largely agrarian society.

On the international front things were not much better. Vietnam suffered a bloody border clash with China in 1979, which by some estimates left tens of thousands dead. After its invasion and occupation of Cambodia to oust the murderous Khmer Rouge regime, Vietnam was isolated from ASEAN and had a nominal trade and aid embargo placed on it by the US and its closest neighbours. Since 1941 Vietnam had fought wars with Britain, France, Japan, the US, Cambodia, and China. Counting countries which supported the US in the war, Australia enters the list as well. The only permanent member of the UN Security Council Vietnam hadn't exchanged bullets with was its stalwart ally the Soviet Union, with which it nonetheless suffered a burdensome debt imbalance⁴.

Against this bleak backdrop, the Sixth National Party Congress met in Hanoi in December 1986 to discuss the future of their country and the policies they would need to implement to put their country on the path to recovery. Over a thousand senior Communist Party members gathered together to attend the meetings in Hanoi in December 1986. Indeed, the very

credibility of the Communist Party was at stake if they could not get their economic house in order. After three days of meetings, two concepts emerged from the Sixth Party Congress which would re-define the country's economic future. The first and most important was *Doi Moi*, which means 'renovation' and referred to a program of economic reforms, aimed at reviving their moribund economy; and second, the "socialist-oriented market economy" which gave the Marxist-Leninist one-party state the ideological flexibility to allow its integration into the global economy.

The Sixth Party Congress also spurred significant change in other corners of Vietnamese politics. Seasoned leaders and founding members of the Communist Party who had fought in their country's revolutionary struggle since the 1930s stepped out of their positions in a peaceful leadership change rarely seen in states of this kind⁵. The most pressing issues the Party Congress faced were domestic and so international relations and foreign policy did not take centre stage during the meetings. However, in a political report outlining recommendations for foreign policy, the Party Congress recommended Vietnam meet with China to discuss normalising diplomatic relations⁶. With the old guard gone and new leadership at the helm, they also hoped to improve relations with a list of countries in the capitalist world⁷. Five were mentioned specifically in the political report. Australia was one of them.

³ "Vietnam poverty analysis: Prepared for the Australian Agency for International Development by the Centre for International Economics, Canberra and Sydney" (9 May 2002). Available online: http://dfat.gov.au/about-us/publications/Documents/vietnam_poverty_analysis.pdf

⁴ *Vietnam at the Crossroads*. (1992) Michael C. Williams. Chatham House Papers. The Royal Institute of International Affairs. London

⁵ "Vietnam's Sixth Party Congress: An Overview", Carlyle A. Thayer. *Contemporary Southeast Asia*, Vol. 9, No. 1 (June 1987), pp. 12-22

⁶ *Ibid*

⁷ *Ibid*



THE WARTIME PERIOD 1962–1975

It's striking that Australia was mentioned in the political report to the Party Congress at the very same forum which launched the Doi Moi reforms which today have the country well on its way to top twenty status by 2050. Vietnam would find Australia a ready partner in its economic transformation, despite their involvement in the devastating war on Vietnamese soil. The policy Australia set towards Vietnam ten years before the pivotal Sixth Party Congress put Australia in an excellent position to work with Vietnam when reforms came.

Concerned with the spread of communism in its neighbourhood in Southeast Asia and a firm subscriber to the “domino theory”, Australia responded to South Vietnamese President Ngo Dinh Diem's⁸ request for military assistance from US allies against communist insurgents in 1961 and 1962 by sending a small team of military advisers. As the war escalated and it became clear South Vietnam would be unable to quash the insurgency by its own might, the US requested more assistance from allies and Australia obliged by sending a larger fighting force in 1965. Consistent with Australia's containment policy, it was also fighting communist insurgents backed by Indonesia in the jungles of Borneo during the Indonesia-Malaysia confrontation until 1966.

In 1968 the communist insurgents and North Vietnamese forces executed the Tet Offensive and achieved a psychological victory over the US-led efforts in South Vietnam. Levels of support for the war in Australia plummeted and the anti-war movement grew stronger. In 1970, Australia parted with its ally and reassessed its role in a war in which a clear victory was looking more and more unachievable.

It could be said that in these grim last days of the American war in Vietnam, as Australian troops were being withdrawn, Australian diplomats were moving in. Australia began troop withdrawals in 1970. However, in February 1973 Australia's Ambassador to France approached North Vietnamese diplomats in Paris to discuss the establishment of diplomatic relations under the condition that Australia would maintain relations with and continue providing aid to South Vietnam⁹. Australia opened an embassy in Hanoi in July 1973, two years before the fall of Saigon, and subsequently received its first Australian ambassador, David Wilson in 1975. From this point forward Australia's policy towards Vietnam showcased its pursuit of an independent foreign policy in its most important region: Southeast Asia.

⁸ President Diem was the first-ever foreign head of state to visit Australia in 1957.

⁹ *A Nation at War: Australian politics, society and diplomacy during the Vietnam War 1965-1975* (1997), Peter Edwards. Allen & Unwin in association with the Australian War Memorial. (p.326)



“A LIST OF FIRSTS”: AUSTRALIA – VIETNAM RELATIONS SINCE 1975

Australia's policy towards Vietnam at this point is summed up by then-foreign minister Andrew Peacock's statement in 1977, “We believe... that nothing will be gained by either Australia or the region ostracising, ignoring, or setting out to alienate these governments. In the case of Vietnam in particular, it would be dangerous if it is placed in a position where it feels it can only maintain cordial relations with other Communist states”¹⁰. Despite this sentiment, the decades after the fall of Saigon and the consequent unification of Vietnam held a few more challenges for Australia-Vietnam relations. After establishing diplomatic relations with Hanoi, Australia introduced a robust aid package in spite of a US aid embargo which precluded Vietnam from accessing funds from the IMF, World Bank, and Asia Development Bank (ADB)¹¹. The 1977 aid package consisted of \$6 million to be delivered over three years, however, this came to a halt after Vietnam invaded Cambodia in 1979¹².

Vietnam successfully overthrew the brutal Khmer Rouge regime under Pol Pot in 1979 but didn't make any friends in the process. Western countries were suspicious that this marked an aggressive move by Vietnam to assert its dominance over Indochina more broadly. Other Southeast Asian countries like Thailand were sceptical of Vietnam's intentions and likewise saw the invasion as a threat. China was in fact a strong supporter of the Khmer Rouge and later in 1979 initiated the military confrontation at its border with Vietnam as punishment. The Cambodia issue made Vietnam a pariah in its own region and as a result it was largely excluded from the emerging post-World War Two regional architecture.

To help end Vietnam's isolation from ASEAN and put it on the path to normalising relations with the rest of the world, the “Cambodia problem” would need to be solved. Australia drafted a Cambodian Peace Proposal and with Indonesia as co-chair, they hosted informal meetings in Jakarta to discuss solutions to the Cambodia problem. In 1991 under the negotiated Paris Peace Accords, Vietnam began to withdraw troops from Cambodia and Australia resumed its aid provisions. This paved the way for Vietnam's eventual entrance into ASEAN with the treaty of Amity and Cooperation in 1993.

Simultaneously, between the years following the 1986 Sixth Party Congress and the Cambodia Peace Accords, Australia was the most successful western country in forging strong ties with Vietnam¹³. The Doi Moi reforms opened Vietnam up to a variety of services and industries and Australia, one of the most technically advanced countries in the region, was well positioned to provide the expertise and industrial know-how to improve the economy. The US was still about ten years from normalising relations with Vietnam as sanctions and bitter memories of the war still held back American interest in the country. In this vacuum, Australia's business engagement rapidly followed on the back of diplomatic efforts and established a number of “firsts” in the country. The Australia New Zealand Banking Group (ANZ) opened its first branch in Hanoi in 1993, one of the first foreign-owned banks to be granted permission to operate in Vietnam¹⁴. The ANZ also opened Vietnam's first ATM in 1995. Other Australian businesses saw opportunity in Vietnam, among them Telstra's predecessor OTC which was advising Vietnam's state-owned telecommunications company

¹⁰ *Engaging the neighbours: Australia and ASEAN since 1974* (2016). Frank Frost. Australian National University Press. Ebook. Available online: <http://press-files.anu.edu.au/downloads/press/p347483/html/ch02.xhtml?referer=&page=8#>

¹¹ *Vietnam: Past and Present* (2005), D.R. SarDesai. Fourth Edition. Westview Press. (p.135)

¹² *Engaging the neighbours: Australia and ASEAN since 1974* (2016). Frank Frost. Australian National University Press. Ebook. Available online: <http://press-files.anu.edu.au/downloads/press/p347483/html/ch02.xhtml?referer=&page=8#>

¹³ *Vietnam at the Crossroads*. (1992) Michael C. Williams. Chatham House Papers. The Royal Institute of International Affairs. London

¹⁴ ANZ in Vietnam: <https://www.anz.com/vietnam/en/about-us/our-company/anz-vietnam/>. Accessed 12 September 2017.



on how to develop their communications infrastructure and BHP Petroleum was working with PetroVietnam to develop the Dai Hung oil and gas field in the South China Sea¹⁵. As early as 1988, Australia had become one of the top five foreign investors in Vietnam and by 1991 Australian companies had \$300 million invested in the country¹⁶, no small amount for Vietnam, which in the years before had virtually no investment from any western country.

The education sector also quickly moved in to take advantage of the changing economic situation in Vietnam and achieved a couple more firsts. In 1998, the Royal Melbourne Institute of Technology (RMIT) was invited to build Vietnam's first foreign-owned university. The project was backed by a US\$7.5 million loan from the Asia Development Bank and construction began in 2001 and RMIT Vietnam opened its doors in 2003. Swinburne University from Victoria was one of the first foreign universities to set up an academic program in Vietnam in the 1990s.

This list of firsts for Vietnam reflects Australia's early recognition of the country as an opportunity. The early efforts of Australian diplomats on the ground helped pave the way for business engagement once Vietnam's economic policy changed. But Australia's interest in Vietnam was not purely commercial, there were a number of successful foreign aid projects aimed at improving the country's infrastructure and agricultural economy.

One clear example of Australia's successful aid program in Vietnam is the My Thuan bridge which spans the Mekong River in the country's south. Completed in May 2000, the bridge stands as a significant \$91 million project. It was delivered under budget and three months ahead of schedule. Having set a credible precedent with the My Thuan project, the Australian government agreed to invest \$160 million in a Central Mekong Delta Connectivity project which includes the construction of a new bridge over the Mekong at Cao Lanh. The Cao Lanh bridge project constitutes the largest single Australian aid activity in mainland Southeast Asia and is scheduled to open in 2018¹⁷.

¹⁵ Sue Boyd (2017) former Australian Ambassador to Vietnam from 1994-1998. Unpublished chapter in her forthcoming memoirs.

¹⁶ *Vietnam at the Crossroads*. (1992) Michael C. Williams. Chatham House Papers. The Royal Institute of International Affairs. London.

¹⁷ "The Cao Lanh Bridge: Australia and Vietnam Working Together" (2012). Department of Foreign Affairs and Trade. Available online: <http://dfat.gov.au/about-us/publications/Documents/cao-lanh-factsheet.pdf>



FORMAL PARTNERSHIPS BEGIN

1995 was a momentous year for Vietnam and its international relations. Not only was Vietnam admitted to ASEAN after decades of isolation from its neighbours, but the US re-established diplomatic relations for the first time after the bitter retreat from Saigon in 1976. Australia was a strong proponent for Vietnam's entry into ASEAN and did as much as it could to support Vietnam from the outside. Australia lent practical support by providing English language training to the Vietnamese, who would need to master English as the working language of ASEAN¹⁸.

Another important step in Vietnam's efforts to fully re-engage with the international system was its accession to the World Trade Organization (WTO) in 2007. Accession to the WTO was a major step which made Vietnam a 'normal' economy with full rights and responsibilities in the international trade system. Vietnam's ambition to accede to the WTO was strongly supported by Australia¹⁹. But despite all this cooperation, both countries had yet to elevate bilateral relations above others to the status of a formal partnership.

In 2009 both countries signed a "comprehensive partnership" when Vietnam's Minister for Foreign Affairs, Dr Pham Gia Khiem visited Australia. The agreement provided a framework for strengthening bilateral cooperation across a spectrum of policy areas: expanding political ties and public policy exchanges, promoting economic growth and trade development, ongoing development assistance and technical cooperation, building defence and security ties, supporting people-to-people links, and advancing the global and regional agenda. The agreement also served as a way to measure the progress of bilateral relations. It prioritised high-level government visits and pledged Australian assistance with some of Vietnam's domestic problems: namely policy formulation on management of migrant workers, economic planning, and an annual dialogue on human rights. Dialogues were a common element and the agreement included a dialogue between officials from the foreign and defence ministries.

Through their participation in multilateral trade architecture and regionalism, Australia and Vietnam developed a series of nodes of economic cooperation. The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) entered into force for both Australia and Vietnam in January 2010. Both were members of the Trans-Pacific Partnership (TPP); and both have been parties to the Regional Comprehensive Economic Partnership (RCEP) since 2013. Participation in these mechanisms means that Australian and Vietnamese trade negotiators have worked together on some very hard issues and built trust through the processes involved. This provides a basis for solidifying an economic partnership in the future.

The framework of a comprehensive partnership was broadly successful and both countries held up their end of the agreement paving the way to an enhanced comprehensive partnership. Signed in 2015, the enhanced partnership document included a specific reference to the tensions in the South China Sea and emphasized the importance of maintaining freedom of navigation and aviation in accordance with UN conventions. Both countries used the occasion to express the "urgent need to conclude a code of conduct for the South China Sea." Furthermore, on the defence and security front, the enhancement included pledges to maintain regular visits by civilian officials and the military. The Australia-Vietnam Strategic Dialogue, the Australia-Vietnam Defence Cooperation Talks and the accompanying 1.5 Track Defence Dialogue were enshrined as important fora for both countries to continue. These two partnership steps created a number of opportunities for both countries to level up relations and helped bring Vietnam back into the regional political architecture.

¹⁸ "Vietnam's Membership of ASEAN: Issues and Implications" (1995). Current Issues Brief No. 3 (1995-96). Parliamentary Research Service. Available online: <http://www.aph.gov.au/binaries/library/pubs/cib/1995-96/96cib03.pdf>

¹⁹ "Australia and Vietnam - Partners for the Future". Speech to the Australian Chamber of Commerce, Hanoi by then-Australian Minister for Foreign Affairs and Trade, The Hon Stephen Smith. 2 July 2008. Available online: https://foreignminister.gov.au/speeches/2008/080702_hanoi.html



NEXT STEPS FOR AUSTRALIA AND VIETNAM

UPGRADING TO A STRATEGIC PARTNERSHIP

The next diplomatic step for Australia and Vietnam is to sign a strategic partnership agreement, a step agreed upon by both Prime Ministers Nguyen Xuan Phuc and Malcolm Turnbull on the sidelines of the APEC summit in Danang in November 2017²⁰. This step would bring bilateral relations with Vietnam to the same level as other ASEAN countries like Indonesia, Malaysia, and Singapore, all of which have strategic partnerships with Australia. Strategic partnerships seek to take security partnerships to a higher level and usually include participation in joint military exercises. Strategic partnerships also include commitments to regular ministerial-level meetings. Within the strategic partnership framework, additional components of cooperation with Vietnam would include coordinated law enforcement activities, peace operations, and regional capacity building. During an August 2017 visit to Vietnam, Defence Minister Senator Marise Payne offered to transport Vietnamese peacekeepers to South Sudan in 2018 and invited the Vietnamese army to Australia for peacekeeper training and to talk with Australian deployment specialists²¹. Minister Payne also announced Australian support for Vietnam's 2020-21 bid for re-election as a non-permanent member of the UN Security Council.

TOWARDS AN ECONOMIC PARTNERSHIP

Australia's engagement with Vietnam is progressing towards an economic partnership, not strictly a strategic one. A lot of policy attention is drawn to the strategic elements of the Australia-Vietnam partnership, particularly through the lens of the rise of China and its activities in the South China Sea. However, as we have seen, Australia is well-poised to engage with Vietnam on the terms of Vietnam's own economic rise. Australia is off to a modest start. Trade has grown steadily since 2010 and total two-way trade sits around \$10.1 billion²² and Australia's foreign direct investment in Vietnam is at \$1.5 billion²³. However, as Vietnam's economy continues to grow and it seeks out investment from its economic partners, these figures have a lot of room for growth.

Engaging Vietnam as a regional economic power is a start. Some key early steps involve participation by Australia's government, business community, and foreign policy think tanks. The government should utilise the Australia-Vietnam Joint Trade and Economic Cooperation Committee (JTECC) which last met in Melbourne in 2011. The JTECC was established in 1990 to monitor the progress of economic relations and find ways of enhancing economic cooperation. Government and business groups should work together to coordinate a bilateral business summit similar to the Indonesia-Australia Business Week. This will help to promote Vietnam as an emerging market and highlight the successes of Australian businesses already there. Think tanks should organise policy workshops and commission research focused on developing Australia's Vietnam policy, broadening awareness of Vietnam and understanding its problems. Involving all three sectors in a high-level, bipartisan dialogue on what Australia's policy towards Vietnam should look like would support the deepening of bilateral relations.

²⁰ "Vietnam-Australia joint press release", *Nhan Dan Online*. 11 November 2017. Available online: <http://en.nhandan.org.vn/politics/external-relations/item/5636002-vietnam-australia-joint-press-release.html>

²¹ "Payne finds backing on security", *The Australian*. 1 September 2017. Available online: <http://www.theaustralian.com.au/national-affairs/payne-finds-backing-on-security/news-story/81a0d995628d7493950cc8c527367b65>

²² Vietnam country brief (2017). Australian Department of Foreign Affairs and Trade. Available online: <http://dfat.gov.au/geo/vietnam/pages/vietnam-country-brief.aspx>

²³ Vietnam Factsheet (2017). Australian Department of Foreign Affairs and Trade. Available online: <http://dfat.gov.au/trade/resources/Documents/viet.pdf>



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Effective economic engagement aimed at helping Vietnam advance its economy would include a dialogue on how to leverage external trade and economic factors to create incentives for domestic reforms. The TPP was an ideal tool for such a task. Vietnam stood to add 8 percent to its GDP by 2030 from the agreement and see a significant increase in exports and investment²⁴. TPP had chapters dealing directly with market-distorting SOEs and its labour chapter had a specific plan for implementation in Vietnam. There are no other multilateral trade agreements which address SOE competition with private companies as comprehensively as the TPP²⁵. It was a sufficient external tool to address problems and progress reforms not seen since Doi Moi. Now the ground beneath the TPP has changed and Vietnam will need to work with its partners to find a new way. The Regional Comprehensive Economic Partnership (RCEP) might need to serve as a second best in this case. The RCEP doesn't address regulatory issues which the TPP has provisions for, such as SOEs, transparency/anti-corruption, labour standards, and a number of sector-specific protections. Because it is more oriented towards the trade interests of developing Asia, the RCEP will help Vietnam's economic integration with the rest of ASEAN, China, and India instead of advanced economies like Japan²⁶.

Vietnam's economic advancement will not always be a straightforward, simple path. As wages rise in Vietnam it could find itself in a trap in which its manufacturing sector will no longer be competitive and it will be difficult to compete with highly developed economies in advanced manufacturing, value-added markets, and in the service sector. It could also find itself at risk of suffering from rapid technological changes with one

report estimating that 70 percent of Vietnam's employment is at risk of automation in the next twenty years²⁷. Australia's economic engagement can help Vietnam avoid this "middle income trap." To be successful, Vietnam will have to increase labour productivity, develop new innovative sectors, and find access to new markets.

In all cases, Australia's economy has a lot of complementarity. Australia is recognised as a large market of opportunity for Vietnamese products²⁸. Both countries enjoy favourable trade terms under AANZFTA and bilateral trade has increased between the countries. Minister of Industry and Trade Tran Tuan Anh called for both countries to bring the economic relationship to the same level of their comprehensive partnership and in a way which reflects their economic potential. An outcome of a successful bilateral business forum would see Vietnamese producers finding distributors in Australia and familiarising Vietnamese businesses with the kinds of quality products demanded by Australians.

Vietnam's infrastructure needs will require significant investment over the next twenty years to help keep economic development moving. Though the country is far ahead of where it was two decades ago some basic infrastructure is still lacking, for example, only 20 per cent of Vietnam's roads are paved²⁹. An estimated total of US\$480 billion in infrastructure is needed up until 2030³⁰. Vietnam is already among Asia's top infrastructure spenders, spending about 5.7 per cent of GDP on infrastructure and its government cannot provide more than a third of the needed investment³¹. This need for infrastructure provides Australia with an opportunity to work with its partners through development banks and for its private sector to fund projects.

²⁴ World Bank and Ministry of Planning and Investment of Vietnam. 2016. *Vietnam 2035: Toward Prosperity, Creativity, Equity, and Democracy*. Washington, DC: World Bank

²⁵ TPP Chapter Summary: SOEs. Office of the United States Trade Representative. Available online: <https://ustr.gov/sites/default/files/TPP-Chapter-Summary-State-Owned-Enterprises.pdf>

²⁶ The Regional Comprehensive Economic Partnership: An Indo-Pacific approach to the regional trade architecture? Jeffrey D. Wilson. *Indo-Pacific Insight Series*, Volume 2, January 2017. Perth USAsia Centre.

²⁷ *ASEAN in Transformation: The Future of Jobs at Risk of Automation* (July 2016). Jae-Hee Chang and Phu Huynh. Bureau for Employer's Activities, Working Paper 9. International Labour Organization. Available online: http://www.ilo.org/public/english/dialogue/actemp/downloads/publications/2016/asean_in_transf_2016_r2_future.pdf

²⁸ "Huge trade potential in Australia". Viet Nam News. 8 March 2017. Available online: <http://vietnamnews.vn/economy/372457/huge-trade-potential-in-australia.html#8TYmIF7RMSbz7X9J.97>

²⁹ "Vietnam needs private sector to help fund infrastructure". Financial Times. 19 June 2017. Available online: <https://www.ft.com/content/8b3ad6ea-54db-11e7-80b6-9bfa4c1f83d2>

³⁰ Ibid.

³¹ "In Asia's Infrastructure Race, Vietnam Is Among the Leaders". Bloomberg Markets. 23 March 2017. Available online: <https://www.bloomberg.com/news/articles/2017-03-22/in-asia-s-infrastructure-race-vietnam-is-among-the-leaders>



To increase worker productivity, Vietnam and Australia can work together to develop Vietnam's vocational education training (VET) sector. Development of the VET sector will be needed to match worker skills with industry demands. Australia can help Vietnam develop its own VET system possibly using Australian TAFE as a model.

On the tertiary education front, Australia's engagement with Vietnam can be divided into two domains, capacity building and alumni engagement. Building more capacity in Vietnam's universities will be an important task for the country's continued economic development. Leveraging Australia's long-standing university presence in Vietnam, Australia can contribute to the development of Vietnam's own university sector by hosting training exchanges which focus on building tertiary education capacity.

Australia has seen significant growth in the number of Vietnamese students in the Australian higher education sector since 2002. The sharpest period of growth was between 2008 and 2011, the number of Vietnamese student enrolments rose from around 50,000 to just under 120,000³². As a result, there are a growing number of alumni of Australian-educated Vietnamese with the most recent number being 50,000³³. An excellent initiative to keep in touch and engage with this influential group, the Australia Alumni in Vietnam Strategy was launched in 2016. As Australia seeks to build economic ties with Vietnam, engaging with this alumni group will benefit bilateral relations through the development of valuable personal relationships and access to local networks and expertise, business and otherwise. Australia can build on this strategy by encouraging Vietnamese alumni to visit Australia, participate in fellowships, and contribute to the public policy dialogue on Australia-Vietnam relations.

³² International Student Data (2016). Australian Department of Education and Training. Available online: <https://internationaleducation.gov.au/research/International-Student-Data/Pages/InternationalStudentData2016.aspx>

³³ "Australia Global Alumni: Australian Alumni in Vietnam Strategy 2016-2021" (2016). Australian Embassy Vietnam, Australian Consulate-General, Ho Chi Minh City, Vietnam. Available online: <http://vietnam.embassy.gov.au/files/hnoi/Australian%20Alumni%20in%20Vietnam%20Strategy%202016-2021%20En-%20inline%20logos%20with%20AGA%20logo.pdf>



CONCLUSION

Australia has a strong foundation on which to build not only a strategic partnership with Vietnam, but also an economic partnership which takes advantage of the complementary characteristics of both countries. Australia was forward-looking in its diplomatic engagement with Vietnam during its period of isolation after the war. There was perhaps no other country in the region that matched Australia's commitment to Vietnam's rapprochement with ASEAN and the rest of the world. Certainly no major Western country recognised the economic opportunities Vietnam had to offer after the Doi Moi reforms and sought to invest there as early as Australia did.

Developing a strong economic partnership will ensure Australia-Vietnam relations are broad based and do justice to both Vietnam's strategic importance and its significant economic trajectory. An economic partnership will also underpin the strategic partnership, facilitate more people to people exchanges, and provide a base for further development of Australia's Vietnam policy. Australia-Vietnam relations are poised to discover new opportunities and reach new levels of cooperation reflecting the new geopolitical realities of the Indo-Pacific in the 21st century.





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ABOUT THE AUTHOR



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