



PRESS RELEASE

Virtual Conference

IMPROVING AUSTRALIA'S FDI IN VIET NAM IN THE CONTEXT OF CPTPP AND RCEP

Hanoi, 22 December 2021

*On 22 December 2021 in Hanoi, Vietnam Chamber of Commerce and Industry (VCCI), with the support of the Aus4Skills Program, organized a virtual conference “**Improving Australia's FDI in Viet Nam in the context of CPTPP and RCEP**”. The virtual conference was organized to provide information on Australia's foreign direct investment (FDI) situation in Vietnam and effective connection between Australian FDI enterprises in Vietnam and domestic partners, and at the same time share assessments of Australian investors on Vietnam's business and investment environment and policy recommendations to attract Australia's investment into Vietnam in the coming time.*

Since the promulgation of the Foreign Investment Law in 1987 and especially after Vietnam joined the World Trade Organization (WTO) in 2007, FDI inflows into Vietnam have sharply increased, which helps Vietnam become one of the countries attracting the most FDI in Southeast Asia (ASEAN). Especially in 2020, Vietnam was in the top 20 countries attracting the most FDI in the world, ranked 19th, up 5 places compared to 2019. Meanwhile, Australia is one of the countries with the largest flow of direct investment abroad, ranked 15th in the world in 2020.

However, in recent years, Australia's FDI into Vietnam has been reported to be quite modest. According to data from the Foreign Investment Agency, Ministry of Planning and Investment, accumulated to November 2021, Australia has 545 investment projects in Vietnam with a total capital of 1.94 billion USD. Currently, Australia's FDI accounts for only 0.5% of the total FDI value in Vietnam and ranks 19th in the list of economies with the largest FDI flow into Vietnam.

Despite still being very modest, direct investment from Australia into Vietnam is forecasted to have many growth opportunities in the coming time. According to Ms. Nguyen Thi Thu Trang, Director of the Center for WTO and International Trade - VCCI, Vietnam and Australia currently are partners in three Free Trade Agreements (FTA), including two new generation FTAs, namely the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP) with many significant commitments of Vietnam for Australian investors. The synergistic impact from these 03 FTAs and 12 other FTAs of

Vietnam will open up significant opportunities to attract Australian FDI enterprises to invest and do business in Vietnam.

At the same time, Mr. Charles Thursby-Pelham, First Secretary, Australian Embassy in Vietnam also said that Vietnam and Australia have officially announced the **Australia - Vietnam Enhanced Economic Engagement Strategy** with the goal of bringing the two countries to become each other's top 10 trading partners and double bilateral investment in the coming time.

However, in order to realize these opportunities, Vietnam first needs to understand and thoroughly solve the problems that are preventing Australian businesses from investing into Vietnam. According to the Report “**Australia’s Foreign Direct Investment into Vietnam - Actual Efficiency Assessment and Policy Solutions**” performed by the Australian Alumni Research Group with the support of the Australian Alumni Fund under the Aus4Skills Program, the problems of the Vietnam’s investment environment that are hindering business activities of Australian FDI enterprises in Vietnam include: troublesome administrative procedures, the tax system with many shortcomings, ineffective law enforcement, many negatives and unofficial costs, along with limitations in infrastructure, lack of high-quality labor... Businesses in Australia - the potential investors have similar concerns when considering investing into Vietnam.

According to Dr. Uwe Kaufmann, Senior Lecturer of Australian Institute of Business (AIB), to be able to solve the above problems, Vietnam needs to comprehensively reform the public sector, regularly review domestic legislations, implement international commitments on investment, create an equal and transparent business environment for foreign investors including Australian investors... Besides, according to Mr. Nguyen Anh Duong, Head of General Research Department, Central Institute for Economic Management (CIEM), Vietnam should learn from international experiences in policies to attract and promote foreign investment. For example, in the context of the global pandemic, Vietnam can increase investment attraction in the fields of health and digital technology, accelerate digital transformation in investment promotion, and study an open approach that is suitable for foreign investors...

Besides solutions to attract Australian investment into Vietnam, Ms. Phung Thi Lan Phuong, Center for WTO and International Trade - VCCI also proposed initiatives to strengthen the connection between Australian FDI enterprises and Vietnamese partners. Many Australian investment projects in Vietnam in recent years have created positive connections with Vietnamese partners. Especially in the agricultural sector, many production models of Australian FDI enterprises have become exemplar for Vietnamese enterprises to learn from, at the same time also help improve the agricultural production level of farmers and local labor. Therefore, the Government and localities of Vietnam need to strengthen support activities to promote and increase the effectiveness of these connections.

At the Conference, the speakers and participants also discussed and exchanged about the difficulties and obstacles that Australian FDI enterprises encountered during the COVID-19 pandemic, the impact of international trade disputes and Vietnam's opportunities to attract investment flows from Australia diverted from China and other

countries.... It is hoped that the recommendations and solutions given from the above Conference and Report will be suggestions for policy makers and Vietnamese enterprises in finding solutions to enhance FDI attraction from Australia and increase the efficiency of connection with foreign partners in the coming time./.