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# Enhancement of Trade and Investment in Agriculture Between Australia and Vietnam: Opportunities and Challenges

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## ABSTRACT

*This article highlights bilateral investment and trade between Australia and Vietnam. Through analysis of the situation of trade and investment in agriculture and addressing strengths and weaknesses in agriculture of each country, opportunities and threats in fostering trade and investment in agriculture between the two countries are demonstrated. Results show that geographic, climate conditions, government interests, stable socioeconomic environments, and potential benefits are key opportunities to enhance trade and investment in agriculture between the two countries. However, both countries have to deal with obstacles in requirements of food security, food safety, the competitiveness of the agriculture sector, and issues in trade policies.*

**Keywords:** agriculture, trade, investment, opportunities, challenges, Australia, Vietnam

**JEL Classification:** E22, F13, Q17

## INTRODUCTION

By 2017, Australia had been predicted to stand in the position as the 13th largest economy in the world, with nominal gross domestic product (GDP) estimated at USD 1.3 trillion (AUD 1.7 trillion), accounting for 1.7 percent of the global economy. The growth of Australian economy has outperformed its peers for the past two decades and represented the trend to continue. According to the forecast of International Monetary Fund (IMF), the average growth of Australian GDP is expected to rise by 2.9 percent between 2017 and 2021—the highest among major advanced economies (Australian Trade and Investment Commission 2017).

The annual average growth of real GDP of Vietnam is predicted to reach 5.1 percent between 2016 and 2050. Economic growth of this country can be seen as a result of youthful and fast growing working-age population, boosting domestic demand and output. Economic growth of Vietnam is dependent upon real GDP per capita, implying that capital investment and technological progress will become essential factors to contribute to economic growth. By 2050, Vietnam economy is forecasted to stand in the top 20 economies in the world and top 10 in Asia (PwC Viet Nam 2017). The welfare of Vietnamese economy is projected to increase by 8.4 percent by 2020 compared to the baseline due to positive impacts of trade liberalizations, Foreign Direct Investment (FDI) growth and reduction in administrative and technical barriers to trade (Thu and Lee 2015). In Vietnam, domestic reforms should be considered to obtain benefits from economic integration, particularly in economic institutions, state-owned enterprises, and public investment (Thanh 2015).

Australia and Vietnam have established diplomatic relation since 1973 and embassies have been set up in each country. A long-term

support has been provided by Australia to encourage the Vietnamese agricultural sector, consisting of developing export opportunities for the forestry, seafood, and horticulture sectors and increasing skills through research collaboration, scholarships, and training programs. The relationship in agriculture between Australia and Vietnam has been shaped in three key pillars, including economic, innovation, and security. Although bilateral agriculture trade between two nations reached AUD 2.8 billion in 2016, there is a tremendous potential to enhance agricultural trade between Australia and Vietnam because both countries are large agricultural producers and exporters (Australian Embassy in Vietnam 2018).

In Australia, agriculture has played an essential role in the economy and in the social fabric. This industry directly employs more than 307,000 workers and is the biggest employer in rural and regional Australia. About 60 percent of Australian land mass is managed by producers and 1.6 million Australians are employed in the complete agricultural supply chain including food manufacturing and processing, and distribution and retail (Australian Academy of Science 2017). Crops have become the leading agri-food exports of Australia and export value increased by AUD 3.7 billion (36.4 percent) in 2016/17, followed by fiber (AUD 897 million) and sugar (AUD 374 million). The value of agri-food imports to Australia rose by AUD 41.5 million in 2016/17. Miscellaneous edible preparations and beverages (wine, whisky, and beer) were the major imported goods, accounting for 13.1 percent and 12.7 percent of total imports, respectively (Rural Bank 2018).

In Vietnam, exports of agricultural, forestry, and fishery products in the first half of 2016 increased by 5.4 percent to USD 15.05 billion. The export value of major agricultural produce reached USD 7.32 billion, rising by 5.1 percent compared to the same period last year, while the seafood export value reached USD 3.07

billion. Major forestry products in the period contributed USD 3.33 billion to the total export value, falling by 0.1 percent. Coffee, pepper, cashew nuts, and seafood presented a strong growth in the first half year of 2016 (MPI 2018).

Vietnam stands in the top 10 agri-food export destinations of Australia, and the value of agricultural trade between the two countries reached AUD 2.8 billion in 2016. Some Australian raw materials, such as grains, cotton, and live animals are exported for processing in Vietnam, contributing to employment creation and development of Vietnam's value-adding industries. Moreover, wine, meat, and dairy products are also imported from Australia and are used in hotels and restaurants in Vietnam, which assists to facilitate the development of tourism and hospitality industries. Productivity and safety of agricultural products of Vietnam are also improved to meet world-class standards because of adopting Australian technologies in Vietnamese agribusinesses. On the other hand, Vietnamese processed products, such as seafood, cashew, and tropical fruits are exported to Australia (Australian Embassy in Vietnam 2017).

Collaborative opportunities in trade and investment in agriculture between the two countries present tremendous potentials. First of all, Australia is able to expand agricultural technology to improve productivity across the value chain, water and energy-efficient production, food safety, and supply chain integration. On the other hand, Vietnam has comparative advantage in tropical agricultural production, labor, and domestic and export markets to supply agricultural products. Second, Australian and Vietnamese enterprises can work together with government assistance to overcome challenges related to climate change, infrastructure deficits, logistical issues, and differences in food safety standards. Lastly, the agriculture, forestry, and fishery sectors have significant contribution to national security,

economic development, poverty reduction, and trade balance in Vietnam. Although Vietnam is currently changing economic and labor structure, nearly 70 percent of Vietnamese population lives in the rural areas and, therefore, these sectors still play an important role in the livelihoods of Vietnamese people. Thus, enhancement of agricultural trade between the two nations is necessary to exploit potentials and comparative advantages of each country.

The aim of this article is to highlight bilateral investments and trade between Australia and Vietnam, analyze the situation of trade and investment in agriculture between the two countries, and demonstrate opportunities and threats for each country in facilitating trade and investment in the agriculture sector. Lastly, some recommendations are proposed to foster trade and investment in agriculture between two countries.

## TRADE AND INVESTMENT RELATIONS BETWEEN AUSTRALIA AND VIETNAM: AN OVERVIEW

### **Treaty and Agreements in Trade and Investment Between Australia and Vietnam**

#### ***Bilateral Investment Agreement (BIA)***

The Agreement on the Reciprocal Promotion and Protection of Investments was signed between Australia and the Socialist Republic of Vietnam on 5 March 1991 in Canberra, Australia, and this agreement was implemented on 11 September 1991. The agreement specifies the importance of promoting the flow of capital for economic activity and development, and awareness of their role in expanding economic relations and technical cooperation between the two countries, particularly with respect to investment by nationals of one contracting party in the territory of the other contracting party.

### ***Double Taxation Treaty***

A tax treaty was signed between Australia and Vietnam on 13 April 1992. This treaty would protect businesses of each country from taxes imposed by both countries on the same profit pool.

### ***Foundation of the Australian Chamber of Commerce (AusCham)***

In 1998, the AusCham, a non-profit organization, was established. The main purpose of this organization is to promote interests of Australian businesses operating in Vietnam by providing information on business environment in Vietnam.

### ***The Australia-Vietnam Comprehensive Partnership***

The Australia-Vietnam Comprehensive Partnership was developed in September 2009 to reinforce the strong bilateral relations between the two countries. The key aim of the comprehensive partnership is to enforce high-level exchanges and visits, foster economic trade, provide Official Development Assistance (ODA), and support people-to-people links.

### ***The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)***

The AANZFTA was signed and implemented on 1 January 2010 with the participation of Australia, New Zealand, and six countries in the Association of Southeast Asia Nations (ASEAN), including Brunei Darussalam, Malaysia, Myanmar, the Philippines, Singapore, and Vietnam. Thailand joined this agreement on 12 March 2010. AANZFTA was Australia's first multi-country free trade agreement (FTA), which represents negotiation among Australia, New Zealand, and ASEAN member states (AMS). Key interests and benefits of this agreement focus

on (1) extensive tariff reduction and elimination commitments; (2) regional rules of origin providing new opportunities for Australian exporters to tap into international supply chains in the region; (3) promotion of greater certainty for Australian service suppliers and investors, including through certain legal protections for investment in ASEAN territories; and (4) provision of a platform for ongoing economic engagement with ASEAN through a range of built-in agendas, economic cooperation projects, and business outreach activities. In 2015, a snapshot of AANZFTA comprised USD 3.9 trillion in GDP, USD 5,948 GDP per capita, 658.2 million of population, and AUD 120 billion trade with Australia (DFAT 2018).

Vietnam is one of the AMS that participated in the AANZFTA agreement. The following are the agreements: first is the enhancement of market access through tariff reduction and elimination, zero tariffs at entry (i.e., 96.5% and 84.7% of Australia and New Zealand's tariff lines, respectively), and further tariff reduction during transition until final tariff elimination for all tariff lines of Australia and New Zealand is achieved by 2020. Second, application of the rules of origin will be further enhanced in the Chapter on Customs Procedures and this would help shorten the time for checking and assessing goods at the ports of entry, thus, helping speed up the release of goods. Third, market access and national treatment for trade in services will be improved. Fourth is the significant protection measures for covered investments including provision of an investor-state dispute settlement mechanism. Lastly, there would be inclusion of provisions that would facilitate the temporary movement of business persons such as business visitors, installers and services, executives of a business, intra-corporate transferee, or contractual contract service suppliers (ASEAN Economic Community Department 2018).

### Trade and Investment Contexts Between Australia and Vietnam

Share of foreign direct investment (FDI) of Australia and Vietnam in the world is presented in Table 1.

In 2015, FDI of Australia accounted for USD 537 billion, a decrease by 4.5 percent compared to the previous year. In the same

time, FDI of Vietnam reached USD 103 billion, an increase by 13 percent compared to 2014. FDI of Australia accounted for nearly 44 percent of GDP, while the rate in Vietnam was almost 54 percent in 2015. However, the share of Australian FDI accounted for 2.2 percent in the world total in both years (2014-15), which was higher than those of Vietnam by 5.5 times (Table 1).

**Table 1. Share of FDI of Australia and Vietnam in the world (2014-15)**

Country	FDI (USD billion)		FDI (% of GDP)		FDI (% of world total)	
	2014	2015	2014	2015	2014	2015
Australia	563	537	39.0	43.9	2.2	2.2
Vietnam	91	103	48.9	53.7	0.4	0.4

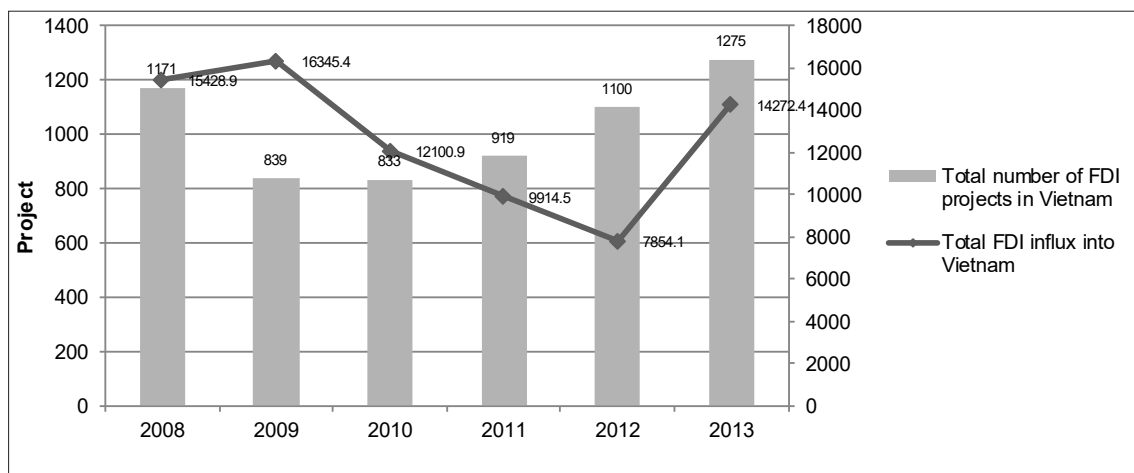
Source: Australian Trade and Investment Commission (2017)

Australian investment in Vietnam is presented in Figure 1.

For three years (2008-10), the number of FDI projects from Australia to Vietnam tended to have decreased moderately by 338 projects, from 1,171 projects in 2008 to 833 projects in 2010. In contrast, in the next period (2010-13), the number of FDI projects from Australia to Vietnam significantly increased by 442

projects, from 833 projects in 2010 to 1,275 projects in 2013. For four years (2009-12), total FDI influx from Australia to Vietnam declined sharply by nearly USD 8.5 billion. However, in the next two years (2012-13), total FDI influx from Australia to Vietnam climbed significantly by nearly USD 8.5 billion, from USD 7,854.1 million in 2012 to USD 14,272.4 million in 2013. A contradicting tendency between the

**Figure 1. Australian investment in Vietnam (2008-13)**



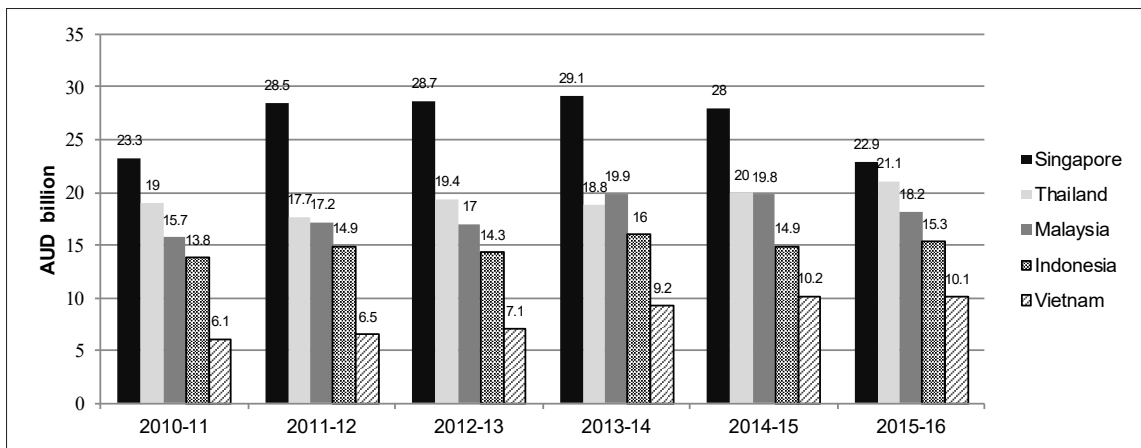
Source: Adapted from LNT and Partners (2014)

number of FDI projects and total FDI influx from Australia to Vietnam for four years (2009-12) implies a smaller scale of invested projects in this period (Figure 1).

Australian export and import of goods and services in Vietnam grew by AUD 4 billion from AUD 6.1 billion in 2010-11 to AUD 10.1 billion in 2015-16. However, values of Australian export and import in Vietnam are smaller than those of other ASEAN countries, such as

Singapore, Thailand, Malaysia, and Indonesia. Specifically, in 2015-16, values of Australian export and import in Vietnam are lower by nearly AUD 13 billion compared to Singapore, AUD 11 billion compared to Thailand, AUD 8.1 billion compared to Malaysia, and AUD 5.2 billion compared to Indonesia. These outcomes suggest that there are a lot of collaborative potentials in trading goods and services between Australia and Vietnam (Figure 2).

**Figure 2. Australian export and import of goods and services in ASEAN countries**



Source: Australian Trade and Investment Commission (2017)

The value of bilateral trade between Vietnam and Australia is presented in Table 2.

Total merchandise trade between the two countries increased by USD 0.2 billion, from USD 4.7 billion in 2011 to USD 4.9 billion in 2015. For five years (2011-2015), export value rose by USD 0.3 billion, while import value fell by USD 0.1 billion. In 2015, balance of merchandise trade between the two nations reached USD 900 million (Table 2).

Australian merchandise trade with Vietnam in 2017 is presented in Table 3.

In 2017, total merchandise trade between Australia and Vietnam reached more than AUD 9.7 billion, in which exports and imports accounted for AUD 4.62 billion and AUD 5.09 billion, respectively. Both Australian

export to and import from Vietnam are ranked in 13th in total exporters and importers. Total merchandise trade between the two countries increased by more than 17 percent compared to the previous year, in which growth of exports and imports accounted for 22 percent and 13 percent, respectively. In exports, coal has become the dominant commodity of Australian exports to Vietnam with AUD 617 million, followed by wheat (AUD 542 million), crustaceans (AUD 489 million), and aluminium (AUD 390 million). In terms of imports, telecom equipment and parts were major commodities imported from Vietnam with more than AUD 1.2 billion, followed by crude petroleum (AUD 395 million), footwear (AUD 381 million), and monitor, projectors,

**Table 2. Trade value between Vietnam and Australia (thousand USD)**

Items	2011	2012	2013	2014	2015
Total merchandise trade	4,725,248	4,980,916	5,074,163	6,042,944	4,937,100
Exports	2,601,965	3,208,733	3,488,123	3,988,214	2,914,818
Imports	2,123,283	1,772,183	1,586,040	2,054,730	2,022,282
Balance of merchandise trade	478,682	1,436,550	1,902,083	1,933,483	892,537

Source: General Statistics Office (2017)

**Table 3. Merchandise trade between Australia and Vietnam in 2017**

Items	Value (million AUD)	Rank	Growth (year on year %)
Exports to Vietnam	4,628	13th	22.0
Coal	617		
Wheat	542		
Crustaceans	489		
Aluminum	390		
Imports from Vietnam	5,094	13th	13.0
Telecom equipment and parts	1,210		
Crude petroleum	395		
Footwear	381		
Monitors, projectors, and TVs	339		
Total merchandise trade (exports + imports)	9,723	15th	17.1

Source: DFAT (2018)

and TVs (AUD 339 million) (Table 3).

Aspects of doing business in Australia and Vietnam are presented in Table 4.

The cost and procedures required to start a business in Vietnam are higher and longer than in Australia by nearly 7 times and 3 times more, respectively. In contrast, profit tax of Australia is imposed at 26 percent, which is nearly twice that of Vietnam. It only takes 2 ½ days to start a business in Australia, while the time to do this in Vietnam is 22 days. Exporting and importing in Vietnam also takes longer time (7 days) than in Australia (19 days). However, the cost to export and import in Vietnam is lower (USD 152) than

in Australia (USD 459). Nonetheless, Vietnam should improve administrative formalities to reduce constraints and to encourage both domestic and foreign investors to invest, start, and operate businesses (Table 4).

## METHODOLOGY

Secondary data were gathered and used for this research, specifically, documentations that relate to investment, trade and agricultural trade between Australia and Vietnam, published and released by international organizations such



**Table 4. Doing business in Australia and Vietnam in 2017**

Items	Australia	Vietnam
Cost to start a business (% income per capita)	0.7	6.5
Procedure required to start a business (number)	3.0	9.0
Profit tax (%)	26.0	13.1
Time required to start a business (day)	2.5	22.0
Time to export (day)	36.0	55.0
Time to import (day)	39.0	56.0
Cost to export (USD per container)	749.0	290.0
Cost to import (USD per container)	525.0	373.0

Source: World Bank (2018)

as the World Bank (WB), the International Monetary Fund (IMF), the Department of Foreign Affairs and Trade of Australia (DFAT), the Australian Embassy in Vietnam and domestic organizations such as the Ministry of Planning and Investment (MPI), the Ministry of Agriculture and Rural Development (MARD), General Statistics Office of Vietnam and the Vietnam Chamber of Commerce and Industry (VCCI) were collected, reviewed, and chosen for this study. Through the assessment of strengths and weaknesses of Australian and Vietnamese agriculture, opportunities and challenges for both countries in facilitating trade and investment in agriculture are addressed and analyzed to propose affordable recommendations to enhance trade and investment in agriculture between Australia and Vietnam.

## RESULTS AND DISCUSSION

### **Situation of Trade and Investment in Agriculture Between Australia and Vietnam**

There are three preferences in the agricultural strategy of Australia in Vietnam, consisting of innovation, economics, and security. Innovation refers to themes such as

research collaboration, skills development, support agribusiness innovation and start-ups, increase business-led collaboration, and agricultural technology development. Economic strategy includes promoting trade, fostering economic growth, engaging the private sector, and increasing investment. Security covers managing climate change risks, water security, sustainable and inclusive agriculture, and sustainable fishing (Australian Embassy in Vietnam 2017).

In 2016, total trade in agriculture between Australia and Vietnam reached nearly AUD 2.8 billion, in which value of Australian exports to Vietnam accounted for AUD 2.16 billion, and Australian imports from Vietnam accounted for AUD 637 million. Wheat has become the leading product exported to Vietnam valued at AUD 446 million, followed by live cattle (AUD 287 million), cotton (AUD 230 million), and barley and malt (AUD 95 million). On the other hand, key commodities imported from Vietnam include cashew nuts (AUD 166 million), prawns (AUD 136 million), fish (AUD 62 million), timber and products (AUD 59 million), and coffee (AUD 41 million) (Australian Embassy in Vietnam 2017).

Activities are carried out to facilitate trade in agriculture, forestry, and fisheries between the two countries. First, bilateral

market access is facilitated through the Vietnam Australia Agriculture Forum, whereby market access priorities and addressing sensitivities in agricultural relationships are agreed. To implement this activity, projects related to improvement of market access are supported, opportunities through regional trade agreements are promoted, and use of electronic certification is increased. Furthermore, the removal of unnecessary or inefficient technical barriers to trade for agricultural products, encouragement of standardized certification models, development of trade policies through food safety management and transparent and harmonized import-export technical standards are implemented. Second, investment of private enterprises in the agricultural sector is promoted by reducing barriers to private sector entry and investment in agriculture, agribusiness, and the rural economy, reducing state monopoly power and other distortionary interventions in agricultural markets, fostering investment in agriculture through Australian Centre for International Agricultural Research (ACIAR) projects, and encouraging Australian agribusiness research, education, technology, service linkages, and partnerships (Australian Embassy in Vietnam 2017).

## **Strengths and Weaknesses of Australian and Vietnamese Agriculture**

### *Strengths and weaknesses of Australia*

#### *Strengths*

With stable politics, transparent regulatory system, and sound governance frameworks, Australia is ranked in the global top five on the Index of Economic Freedom. Effective governance and control of corruption of Australia commit to provide a safe and secure business environment to international communities.

In 2015-16, growth of real GDP and unemployment rate of Australia accounted

for 2.8 percent and 5.6 percent, respectively. Australia stands in top 12 export markets within the Asian region, and due to FTAs, the country is able to foster the flow of goods, services, and investments with major economies across Asia, Europe, and North America. Inward FDI to Australia from Asia continues to rise because of growth in these economies. Export in agriculture, manufacturing, and tourism is supported, thanks to depreciation of the Australian dollar. Total food exports increased by two percent in 2015-16 to AUD 40 billion (Australian Trade and Investment Commission 2017).

Australia is one of the 10 largest producers globally for almonds, wool, cotton, lamb, beef, barley, wheat, and sugarcane. Demand for Australia's clean and green agricultural commodities drives the country's export trade in high-value branded premium products. Beef and wheat are Australia's two largest agricultural exports and its two largest agricultural commodities in terms of production value.

Australian farmers are productive and efficient because of the low levels of financial support and protection from the government. Since the 1970's the Australian Government has worked to decrease tariff and other assistances, such as price supports, input subsidies, tax incentives and credit measures on agricultural and food products. These created the competitive pressure on producers, and facilitate them to find consistent manners to increasing outputs and decreasing costs (Acil Allen Consulting 2014).

#### *Weaknesses*

Despite the strengths previously mentioned, the Australian economy reveals some bottlenecks, including poor business investment and confidence, slow wage growth, a rise in part-time employment and underemployment, and the mixed performance

of the manufacturing and agriculture industries (Australian Government-Department of Industry, Innovation and Science 2016).

Agricultural output in 2015-16 fell significantly by 5 percent to AUD 36.7 billion, making it the industry with the lowest annual growth. Agriculture employed an average of 321,600 workers in 2015-16, a slight increase of 1.3 percent from 2014-15. Crop production rose by 1.9 percent in 2015-16 and livestock production fell by 5.9 percent. The decline in livestock production was the main driver behind the significant contraction in agricultural output in 2015-16. The value of meat and cereal grain exports fell by 7.5 percent, and wool exports fell by 12.0 percent. This suggests that the decline seen in overall agricultural output was also reflected on the export front. This is unsurprising, given that agriculture is a highly export-focused industry. In contrast, the value of other rural exports grew by 8.7 percent (Australian Government-Department of Industry, Innovation and Science 2016).

### ***Strengths and weaknesses of Vietnam***

#### *Strengths*

Located in the heart of Southeast Asia along the coastline of the Pacific Ocean, Vietnam takes advantage in enhancing trade relations with other countries. Total population of Vietnam reached 91.1 million in 2015 with an average annual growth of 1.1 percent in the period 2011-15, and is predicted to rise to 98 million by 2020. The “golden population structure” may contribute to Vietnam’s socioeconomic development with the advantages of a young labor force. Another comparative advantage of Vietnam to attract foreign investment and sustainable growth is its labor force, known for being young, hardworking, highly literate, and easy-to-train. In 2015, Vietnam’s workforce accounted for 54.61 million people, an increase of 1.7 percent from 53.7 million in 2014 (KPMG 2016).

With stable politics, Vietnam is able to focus on socioeconomic development and this is also an advantage to attract foreign investments. According to a 2014 World Bank report, Vietnam is ranked in a high position in political stability with an average political stability index of 0.15 for the period 2010-14, relatively high compared to other Asian countries such as Thailand (-1.2), India (-1.19), the Philippines (-1.19), Indonesia (-0.61), China (-0.57), and Malaysia (0.12) (KPMG 2016).

The agriculture sector accounts for 20 percent of Vietnam's total exports, including rice and coffee, which makes Vietnam the 2nd largest exporter of these commodities globally (MARD 2016). Moreover, Vietnam is in the top 5 world's leading exporter of seafood, tea, cashews, black pepper, rubber, and cassava (PwC Viet Nam 2017).

Trends in food consumption of Vietnamese consumers have changed in recent years. Some consumers are willing to pay premium price for good quality and hygienic food due to concerns about food safety. The middle- and affluent-classes are expected to more than double in size by 2020 from 12 million to 33 million. Up to 2021, about 11.2 percent is forecasted to annual growth in food sales (KPMG 2016).

Lastly, investors are able to obtain income tax incentives for investment projects in manufacturing or processing agricultural products. Exemption or reduction of levies and rents for land use has been enacted to promote investment in agricultural sector in Vietnam.

#### *Weaknesses*

According to VCCI, agricultural investments in Vietnam is still smaller than investments in other sectors, receiving about USD 4 billion or 1.2 percent of total FDI in the first 11 months of 2016. The agribusiness industry of Vietnam still presents drawbacks such as low yield, traditional technologies, and inefficient business. Although quantity of

agricultural exports has increased, productivity, product quality, and value adding in this sector need to improve to obtain a higher profit and to meet consumers' needs.

Agriculture is one of the sectors contributing the biggest revenue to Vietnam, but this sector is highly fragmented. For example, in the animal feed industry, there are more than three million farm households. However, most of them do not have access to information, technology, and capital.

The agriculture sector of Vietnam also has to face issues relating to low food safety, low uniformity of products, dependence on import of agricultural inputs, and underdevelopment of product processing (Rillo and Sombilla 2015).

With a long coastline, geographic location, and diverse topography, Vietnam is one of the most hazard-prone countries in the Asia Pacific region. Due to the high concentration of the population, and aquaculture and fisheries production in coastal lowlands, Vietnam is ranked among the five countries likely to be most affected by climate change (IMF 2017).

### **Opportunities and Threats in Enhancing Trade and Investment in Agriculture Between Australia and Vietnam**

#### ***Opportunities***

Australia is ranked high in economic terms because of uninterrupted, annual economic growth for the last 24 years. Although the population of this country only accounts for 0.3 percent of the world, Australia's GDP accounts for 2 percent of the global economy.

In Australia, agribusiness can be seen as a key motivation for economic growth. To deal with competitive pressures in the global market, this sector needs to consider international partnerships, industry consolidation, and reconfigurations of supply chains. Australia might as well take advantage of its good reputation for safe, sustainable, and healthy

foods, which is supported by a transparent food chain and highly effective regulation.

Australia also holds a strategic location. Due to diversity in climate and cultivated conditions in the country, ranging from tropical to temperate and cool environments, growers can implement such production systems with different scales from niche products to large-scale grazing and cropping. Thus, Australia has become Asia's home of agricultural products, such as food and beverage.

Agricultural commodities of Australia take an advantage in market access. Thanks to FTA signed with Asian economies such as Japan, Korea, China, and ASEAN, Australian agri-products can be exported to these markets with lower taxes and minimum barriers related to trade and investment.

The government of Australia has always been keen in the agriculture sector. Support from the government is necessary for the agriculture sector to build more competitive supply chains, provide infrastructure, invest in research to improve productivity, and open new overseas markets.

Australian research institutes and enterprises also focus more attention to research and development in agriculture. This opens up opportunities for partnerships, particularly for investors with commercialization expertise, and local companies are willing to embrace new technologies and manufacturing processes to increase productivity (Australian Trade and Investment Commission 2017).

In Vietnam, agriculture still plays an important role in economic growth. According to the World Bank (2017), this sector accounts for 18 percent of GDP and 17 percent of the population in 2016. This creates opportunities for foreign stakeholders to provide modern food production techniques that use high quality inputs, modern machinery and processes, and improve the food and beverage value chains. Due to the expectation of government

in increasing access in modern technologies for farmers, foreign businesses can introduce new technologies to bridge the gap in modern technologies for Vietnamese farmers.

Vietnam's population is currently ranked 14th in the world and is projected to grow by 110 million by 2050. With more than a million people entering the workforce every year and about 70 percent aged between 15 and 64, Vietnam has a sustainable workforce (PwC Viet Nam 2017).

With a stable socio-political environment, Vietnam has become a potential destination, attracting more foreign investment and trade in agriculture. As such, the Vietnamese Government commits to create a fair and attractive business environment for foreign investors.

Finally, eating habits and expectations of Vietnamese people are changing. For example, diets are more nutritious because of higher purchasing power. Demand for food in Vietnam has also shifted from food security to food safety as people want to know where the food is coming from, whether it is safe for them and their families. Thus, this change provides opportunities for enterprises in producing and supplying safe and high-quality food to meet consumers' needs.

### *Threats*

There are a lot of issues that interrupt enhancement of trade and investment in agriculture between Australia and Vietnam, including food safety requirements, increasing competition in the agriculture sector, and trade policy issues.

First of all, expansion of agricultural production to response requirements in food security, and food safety along with protection of environment and natural resources, is a challenge to agricultural producers and exporters in the world. Moreover, agriculture has to deal with risks due to natural disasters and

climate change in recent years. For example, Australian agriculture is very productive, but the food supply systems of this country fail to deliver healthy diets to Australians and fail to protect natural resources. Hence, in the coming decades, Australia's food supply systems must face obstacles in resource price inflation and climate change (Farmer-Bowers 2014). In the Mekong River Delta of Vietnam, farmers think that climate change is a task of the government, not their concern, and perceive lower risks to physical health, finance, and production. Additionally, they believe that the disaster warning system is working well, and perceive higher risks to finance, production, and social relationships (Dang et al., 2014). In the scenario of low emission and without interventions, rice production of Vietnam is forecasted to fall by 18 percent by 2030 relative to the 1980-1999 average (Le 2016).

Another issue faced by agricultural producers and exporters is increasing the competitiveness of the agriculture sector. According to VCCI, although agricultural products of Vietnam such as pork and beef, obtain reduction of import tax, thanks to the agreement with the USA, these commodities still face high competition due to high cost for the breeding at home and imported products from other countries like China (Dung and Jenicek, 2008). Although almost Australian agricultural commodities are successfully connected with international markets, the government must face difficulties relating to competition issues, the economic behaviour and performance of supermarkets, and their impacts on farmers and consumers (Griffith and Watson 2016).

Lastly, there are global challenges in trade policies faced by countries. Australia has to deal with internal and external issues in trade policies relating to imbalanced trade in the WTO and the expansion of opposition to globalization by various groups in-country. For example, at Doha, WTO members made concessions

to the European Union in securing the deal on agriculture. These included agreeing to negotiations to specify the relationship between WTO rules and Multilateral Environment Agreements (MEAs) and negotiations on issues such as eco-labelling (schemes designed to identify products produced in an environmentally-friendly manner) were to be decided in 2003. However, Australia and many other countries have opposed to any change in the balance of rules related to environmental issues in the WTO. In addition, many developing countries have complained about inadequate market access since rich countries impose barriers on exports of poor countries roughly twice as high as those on imports from other developed economies (World Bank 2002). By contrast, according to the Organization for Economic Cooperation and Development (OECD), Australia has imposed the lowest barriers to trade and investment of all its member countries. Antipathy towards globalization has expanded in Western countries, including Australia and consequently, concerns about loss of sovereignty, security, identity and culture, as well as good old-fashioned protectionism, may negatively affect a free trade (Kunkel 2002). In order to encourage more investment and trade in agriculture, managerial formalities of Vietnam should be strongly renovated such as reducing number of procedures (9) and time (22 days) requested to start a business.

## CONCLUSION AND POLICY IMPLICATIONS

Several opportunities to enhance the collaboration between Australia and Vietnam in agricultural trade and investment are shown in this study. First, geographical locations and climate conditions allow Australia and Vietnam to develop agriculture, the sector has been known as a key motivation for economic growth in these countries. Second, the governments of

both countries are interested in the development of agriculture through implementing macro policies related to land, credit, taxes, and export-imports, and offering support in training and education, technological innovation, research and development, and market access to facilitate trade and investment in agriculture. Third, with a stable socio-political environment, Australia and Vietnam have become attractive destinations in promoting investment in agriculture. Fourth, due to the growth of global population, the agriculture sector should be transformed to capture higher consumer demands for food and as a consequence, trade and investment in agriculture may be expanded. Lastly and most importantly, the collaboration in agricultural trade and investment between Australia and Vietnam is an essential theme since both countries recognize their benefits that could be gained from the collaboration. For example, through collaborative programs in agriculture, Vietnamese businesses are able to access advanced managerial skills and modern technologies in agriculture. Specifically, Australia has provided technical assistance to support the use of irradiation and vapor heat treatment to treat pests on exported fruit and prevent their entry into Australia, including assisting facilities to meet Australia's requirements. Currently, two irradiation facilities in Vietnam have been approved by Australia to treat lychees and mangoes, and four vapor heat treatment facilities have been approved to treat dragon fruit. In addition, Australia has provided technical capacity building to Vietnam's Plant Protection Department via the ASEAN Regional Diagnostic Network Project, which builds capabilities and infrastructure in plant pest diagnostics (Australian Embassy in Vietnam 2018). Vietnamese consumers may purchase safe and high quality products such as beef, dairy, fruits, and vegetables imported from Australia. Correspondingly, Australian enterprises realize their business opportunities

in Vietnam—a big market with more than 91 million people, which has a huge demand for food and agricultural products. Clearly, collaborations in agriculture bring benefits to both parties.

However, to enhance trade and investment in agriculture, Australia and Vietnam have to deal with challenges. Agricultural production needs to be transformed to meet requirements in food security, and food safety along with protection of environment and natural resources. Moreover, increasing the competitiveness of the agriculture sector is another constraint, which slows down trade and investment in agriculture between the two countries. Finally, both countries should overcome issues in trade policies.

Policy implications should be recommended to foster trade and investment in agriculture between Australia and Vietnam. First, the two countries should engage in bilateral agreements in trade and investment such as Bilateral Investment Agreement (BIA), Double Taxation Treaty, the Australia-Vietnam Comprehensive Partnership, and AANZFTA. Second, the collaboration in trade and investment in agriculture needs to be figured by facilitating strengths, exploiting comparative advantages, as well as reducing weaknesses of each partner. For instance, Australia is well known for safe, sustainable, and healthy foods, along with transparent food chain and highly effective regulation. Vietnam presents advantages in young and hardworking labor force for agricultural production, and this country can also be seen as a potential market for agri-products. Third, forums and dialogs must be organized between the two partners

with the participation of the government, the Ministry of Planning and Investment (MPI), the Ministry of Industry and Trade (MIT), the Ministry of Agriculture and Rural Development (MARD), provincial authorities, and businesses to solve problems in trade and investment in agriculture. For example, in January 2017, the Australian Government has announced a temporary ban for six months on uncooked prawns that are imported from Vietnam to investigate disease spread in Australia. This ban led to a serious damage to prawn farmers and exporters of Vietnam since every year, the aquaculture industry of Vietnam exports about USD 55 million worth of uncooked prawns to Australia. In 2016, Australia has temporarily stopped exporting cows to Vietnam because the Department of Agriculture and Water Resources investigated allegations of mistreatment and abuse of Australian cattle in Vietnamese abattoirs. Lastly, trade and investment must be promoted by organizing trade fairs and exhibitions in both countries in addition to facilitating roles of organizations such as VCCI, AusCham, and ACIAR in enhancing trade and investment in agriculture.

This study is unable to avoid limitations, which may be carried out in further research. The data set used for this research is secondary data because of constraints in time, human resources, and finance. Furthermore, factors affecting trade and investment in agriculture between Australia and Vietnam should be addressed and analyzed to assess the impact of internal and external determinants on trade and investment in agriculture.

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