

BRIEFING PAPER 1

**NAVIGATING THE
AUSTRALIA-VIETNAM
GREEN ECONOMY**

The Australia-Vietnam Green Economy Program, with its capstone summit, will drive new collaboration between Australian and Vietnamese businesses in the green economy, create trade and investment opportunities, and build connections among leading experts in the bilateral relationship. Pre-summit papers and training programs will enhance Australian businesses' knowledge, capacity and connections to seize opportunities in Vietnam's green economy.



Find out more
about the program

Asialink

Asialink is Australia's national centre for Asia capability and engagement working to create a better future with Asia.

Through our sustained engagement, impactful partnerships and signature offerings, we empower individuals, organisations, and governments with knowledge and capability to engage effectively in the region.

We have deep expertise across arts, business, education and diplomacy working towards one goal: to create a better future, one where Asia and Australia thrive together in our region.

Climateworks Centre

Climateworks Centre bridges the gap between research and climate action. We are climate transition specialists, working in Australia, Southeast Asia and the Pacific with decision-makers who have the power to reduce emissions at scale. Climateworks develops evidence-based solutions to accelerate emissions reduction in line with the global 1.5°C temperature goal and shared climate safety.

Co-founded by philanthropy and Monash University, Climateworks is an independent not-for-profit working within the Monash Sustainable Development Institute.

Executive Summary

Deepening ties between Australia and Vietnam are underpinned by increasingly aligned views on a range of issues, including the green economy. Recent statements from both leaders have articulated shared concerns about the impact of climate change, including the pressing issues of rising sea levels and intensifying weather patterns across Asia. These concerns have underscored the need for collaborative efforts, and the green economy has emerged as a promising area for cooperation.

Australia's aspirations in this area complement the ambitions of Vietnam. Australia's potential to be a renewable energy superpower could enable it to play a pivotal role in the region's green economy transition. Similarly, Vietnam places increasing focus on diversifying its power generation, focusing on investment in renewable energy sources such as wind and solar. Deepened bilateral cooperation would contribute to regional efforts to mitigate the destructive effects of climate change. Building meaningful cooperation in the green economy will require greater effort by both government and business.

This is the first in a series of five briefing papers. It seeks to situate Vietnam's green economy in the broader political, economic and geopolitical context. Subsequent papers will delve into more detail about opportunities and challenges across key aspects of the green economy.

What do we mean by “Green Economy”?

Asialink and Climateworks Centre define the concept of the “green economy” in this briefing series as:

"An economic policy framework that supports national energy needs based on renewable resources, net-zero greenhouse gas emissions, and maximum contribution to human well-being and social equity."

This framework must be designed to curb emissions, reduce environmental risks, safeguard ecosystems, increase resilience of energy systems through effective governance, harness low-carbon technologies and promote sustainable practices. As such, the policy briefing series developed within the Australian Vietnam Green Economy Program will focus on areas that could create strong synergies and leverage economic competitive advantages between Australia and Vietnam, such as the regulatory challenge of the energy transition (including the needs of end-users), access to sustainable finance, skills formation, and technological innovation.

Vietnam's domestic political and economic context

While bilateral ties have flourished in recent years, Vietnam is in some respects an unusual partner for Australia. Vietnam is a one-party state governed by the Communist Party of Vietnam (CPV). The CPV prioritises party control and domestic stability, which are seen as synonymous. The CPV's authority significantly depends on continued economic prosperity and inclusive development.

Navigating change in Vietnam's green economy requires an understanding of the role of the CPV. The CPV is a large and complex organisation. Its top leadership is formed by "four pillars" – the CPV General Secretary, the President, the Prime Minister, and the National Assembly Chairman – who provide a system of checks and collective decision-making. Policy decisions are made by the CPV's 16-person Politburo and can be overturned by the Central Committee, made up of 200 members, which means significant change in policy direction usually requires a large coalition of supporters. The current General-Secretary heads the CPV Secretariat and Politburo and Central Military Commission.

Vietnam is one of the fastest growing economies in Asia. A developing social-oriented market economy, it relies heavily on manufacturing, tourism, raw materials exports, and foreign direct investment. In recent years the economic and investment environment has witnessed remarkable growth and transformation. Although economic growth slowed in 2023, annual growth is forecast around 6 per cent or higher in 2024 and 2025. This positions Vietnam as an attractive destination for businesses and investors alike. Most observers see Vietnam as a strong performer in the medium to longer term.

For 2023, GDP growth is forecast at 6.3 percent, with a strong focus on attracting investment in the digital economy and high-tech sectors. This is in line with the country's vision to move from low-value to high-value manufacturing. To achieve this vision Vietnam will need to persist with regulatory and governance reform and improve the quality of human capital.

Vietnam's foreign policy and trade priorities

At the 13th CPV Congress in 2021, the government set out a ten-year strategy for Vietnam to become a developed nation, with advanced industrial capabilities by 2030 and high-income status by 2045. Its international influence is growing - according to the Lowy Asia Power Index (2023), Vietnam is ranked ninth amongst 26 Asian countries surveyed (up from 12th in 2021), with diplomacy ranking as its strongest asset, followed by its economic relationships and military capability.

Vietnam's foreign policy priorities reflect its commitment to independence, self-reliance, diversification, and multilateralisation. Embracing a "four no's" defence policy, the nation prioritises safeguarding its interests under international law and does not use force or threaten to use force in international relations.

Vietnam's foreign policy has created the conditions for trade and investment to boom. In 2022, Vietnam saw the value of trade-in-goods rise 9.1 percent to US\$730.2 billion and FDI inflows have reached US\$11.58 billion as of July 2023. The United States (US) is Vietnam's largest export destination and Vietnam is one of the US' top seven trading partners in merchandise.

“Australia and Vietnam are committed to working together to meet the challenges of the future, including the climate crisis. Australia is committed to becoming a renewable energy superpower and supporting our regional partners as they transition to net zero.

- Anthony Albanese, Prime Minister of Australia

Externally, Vietnam’s economic priorities are to expand ties with key global partners, enhance supply chain infrastructure, reduce trade barriers, and promote sustainable practices in agriculture and manufacturing. Vietnam is also an active player in global economic integration and trade liberalisation through an expanding network of multilateral fora.

Vietnam’s trade and investment partnerships across the globe are numerous. These allow the government to maximise its exposure and access to a diverse range of markets and sectors, positioning Vietnam as a central player in the region. For example, Vietnam is a member of the Chinese-led Regional Comprehensive Economic Partnership (RCEP), the largest trade bloc in history by global population and global GDP; the US led Indo-Pacific Economic Framework for Prosperity (IPEF), a non-traditional trade agreement focused on investment, technology, clean energy supply chains, and joint projects; and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), all of which Australia is also a member.

Vietnam’s geopolitical landscape

To balance great power rivalries in the region, Vietnam promotes ASEAN centrality and processes to address issues. Vietnam has also played an active role in defining the direction and goals of ASEAN, including the ASEAN Community Vision 2025. ASEAN has set an aspirational renewable energy target of 23 percent by 2025 in its Plan of Action for Energy Cooperation.

While deepening ASEAN integration, Vietnam maintains strategic autonomy via a ‘balancing strategy,’ nurturing partnerships with major powers especially the US and China. Vietnam’s ties with both the US and China run deep, as do its concerns about the underlying motivations of the great powers. Vietnam values the US’ role when it comes to regional maritime disputes and economic ties. For example, Vietnam’s claimed exclusive economic zone overlaps with China’s expansive territorial claims in the South China Sea, so promoting a ‘rules-based South China Sea’ will remain a top priority for Vietnam.

US President Biden’s recent visit to Vietnam cemented an upgrade of bilateral ties to a

Comprehensive Strategic Partnership, the highest form of partnership afforded to countries like China, Russia, South Korea and India. Even so, Vietnam will maintain a strong relationship with China, including frequently siding with it in international fora. More broadly, Vietnam aims to diversify its foreign relations with a range of countries, as it does with its green economy-focused partnerships, such as the Just Energy Transition Partnership and the Asia Zero Emission Community.

Domestic and international climate commitments

Vietnam is poised to make significant advances in the green economy, with abundant natural resources for renewable energy, such as solar, wind, and biomass. Vietnam already plays an emerging role in the clean energy supply chain. It is a leading manufacturer of solar panels and related equipment outside China. It also has a growing wind industry, with businesses such as Siemens Gamesa, GE and PetroVietnam Technical Services Corporation producing turbines and equipment for export.

Additionally, Vietnam has a highly skilled and cost-efficient labour force. Utilising these assets, the country has the potential to not only meet its domestic demand for renewable energy, but also expand its exports of renewable energy equipment and technology. The Vietnamese Government encourages investment in this space through a range of policies, regulations, and tax incentives. The policy environment has been supported by the release of a new Power Development Plan (PDP8) after two years of delays, and subsequently the National Energy Master Plan. These policies are discussed in future papers in this series.

Vietnam's target of net zero by 2050 looks optimistic based on its current emissions profile. At COP27, Vietnam pledged to reduce its greenhouse gas emissions by 15.8 percent below its business-as-usual scenario by 2030, setting itself a conditional target of 43.5 percent. In addition, as part of PDP8, renewable energy is set to account for 30-39 percent of the country's energy mix by 2030. Vietnam has also joined the Global Coal to Clean Power Transition Statement, the Glasgow Leaders' Declaration on Forests and Land Use to prevent and reverse deforestation and land degradation by 2030, and the Adaptation Action Coalition to mobilise resources for climate change adaptation.

Australia-Vietnam engagement and implications for the green economy

In 2023, Australia and Vietnam celebrated 50 years of diplomatic relations. Strategically, Australia and Vietnam share a commitment to "a stable, prosperous and resilient region" founded on international law. In recent visits to Vietnam, the Australian Prime Minister, Foreign Minister, and Trade Minister all emphasised green and renewable energy, circular and high-tech agriculture, and innovation as areas for closer cooperation. Currently, Vietnam and Australia are negotiating the elevation of ties to a Comprehensive Strategic Partnership (CSP), which is expected to include a pillar focused on the green economy. This represents an elevated level of commitment to cooperation, underpinned by heightened political trust, and serves as a framework for expanded collaboration in tackling climate change.



Vietnam's economic growth, an expanding middle class, and its transition to a more market-oriented economy have created significant opportunities for Australian exporters. In 2022, two-way trade between Australia and Vietnam amounted to A\$25.7 billion, an increase of 62 percent over 2020-21. This surge positioned Australia as Vietnam's seventh largest trading partner and Vietnam as Australia's twelfth. Unfortunately, Australia falls far behind when it comes to investment in Vietnam, ranking 23rd in total registered FDI in the first seven months of 2023.

Strong bilateral economic ties plus shared membership of multilateral trade agreements sets the stage for a more robust partnership in the green economy. The recently signed Australia-Vietnam Enhanced Economic Engagement Strategy (EEES) identifies energy and resources as sectors for further opportunities. Similarly, Australia's recently announced Southeast Asia Economic Strategy lists green energy as one of its ten key themes. Prime Minister Albanese recently announced a new \$105 million aid package focused on sustainable infrastructure planning and private investment in clean energy infrastructure, and Foreign Minister Wong announced \$94.5 million for climate change adaptation in the Mekong Delta.

A key challenge for Australia and Vietnam is to reshape their energy relationship to reach emissions reduction targets. As a significant exporter of coal, liquefied natural gas (LNG), and other resources, Australia has expanded its presence in the energy markets of Southeast Asian economies, including Vietnam. As these exports decline over coming decades, Australia has the potential to contribute to Vietnam's development of renewables through export of equipment, technology and service, and development of future skills. These will be discussed in future papers in the series.

We shall expand cooperation in climate action, digital transformation, green transition and the development of the circular economy. Australia will support Vietnam in its energy transition so as to fulfill its commitment of net zero emissions by 2050.

- Pham Minh Chinh, Prime Minister of the Socialist Republic of Vietnam

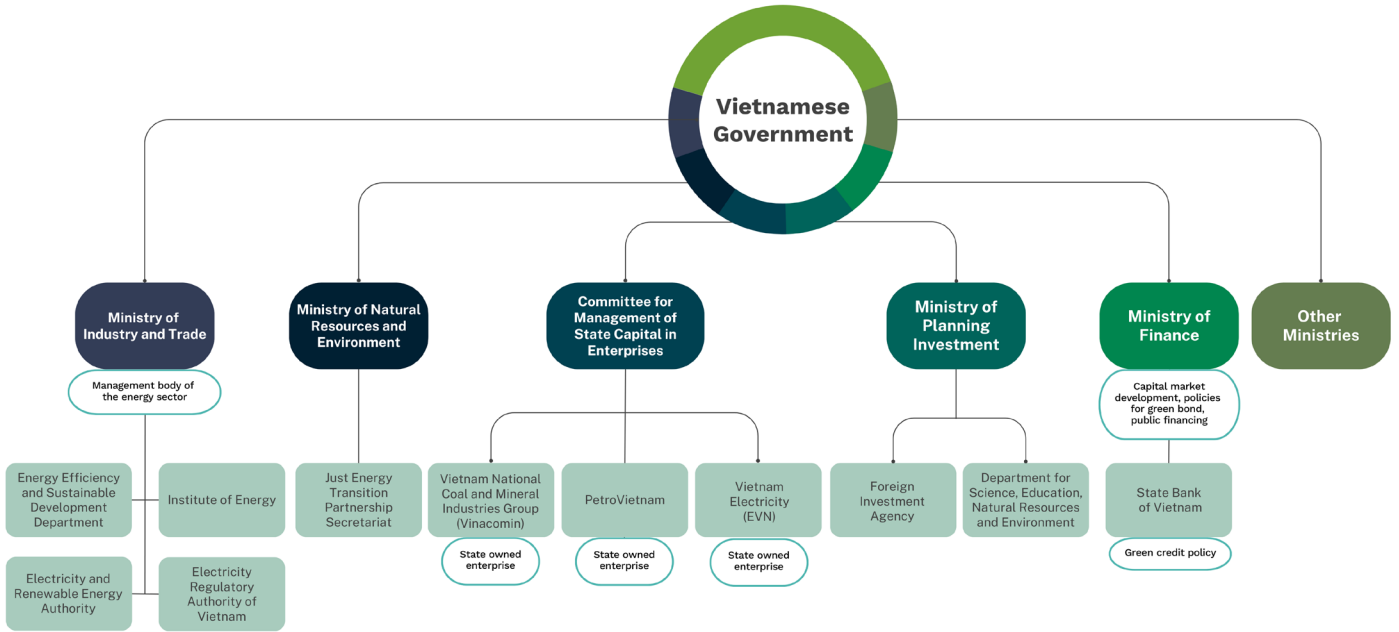
Similarly, Australia and Vietnam have significant opportunities to collaborate on critical minerals for energy transition and the development of clean technologies, unlocking immense potential for both countries' economic growth and sustainable development. Australia is a world leader in advanced and sustainable mining, while Vietnam holds untapped potential in its own mineral resources. Vietnam's potential as a trusted partner of Australia for processing rare earths, could allow the two nations to strengthen resource security and diversify supply chains. Jointly developing the critical mineral sector could attract foreign investment and open doors to global markets.

Bilateral collaboration in sustainable agriculture also demonstrates the potential for promoting environmentally responsible practices throughout the region and beyond. Australia has helped improve Vietnam's agricultural productivity by sharing knowledge, best practises, and innovative technologies. Farmers in Vietnam have acquired valuable

knowledge of sustainable land management, water conservation, and climate-smart agricultural practises through capacity-building programmes and collaborative research projects. This knowledge exchange has promoted food security while also conserving natural resources and biodiversity.

Whether in renewable energy, sustainable finance, critical minerals or agriculture, there are considerable opportunities for collaboration in the green economy if Australian companies are prepared to invest the time and resources to understand Vietnam's dynamic market and tailor their offering accordingly.

Key actors in Vietnam’s green economy



We want to continue to expand our trade and investment and we want to work together on the big challenges of our time, which include climate change.

- Penny Wong, Minister for Foreign Affairs Australia

The nexus between government and business in Vietnam

Both privately held Vietnamese conglomerates and state-owned enterprises are playing a leading role in the development of Vietnam's green economy.

As Vietnam has transitioned towards a market economy over the last 30 years, the role of state-owned enterprises (SOEs) has transformed. Rather than encompassing all sectors, SOEs now concentrate their operations primarily within strategic industries. As with SOEs in many Asian countries, political imperatives often take precedence over commercial considerations. Currently, SOEs dominate finance, transportation, and electricity.

A prime example is telecommunications giant Viettel, which is owned by the Ministry of Defence, affording it vital political support. It has leveraged this support to expand its ventures internationally, including banking, e-commerce, construction and logistics services. In return, the government benefits from Viettel's significant revenue contributions and its role in elevating Vietnam's profile in international markets, thereby strengthening its political legitimacy. Viettel has interests in green data centres, smart homes, and solar energy.

Electricity of Vietnam (EVN) is another prominent SOE working closely with the government. EVN is a significant player in the energy sector in Vietnam and has a major focus on clean energy initiatives. EVN's investments in large-scale renewable energy infrastructure, especially in wind and solar power projects, are instrumental

in assisting the Vietnamese Government to reduce the country's reliance on fossil fuels and advancing its sustainability goals.

In recent years, large, privately held Vietnamese conglomerates have risen in prominence, enabled by close ties to the CPV. The party has repeatedly emphasised the need to develop competitive conglomerates to lead the country's economic development by reducing FDI dependency and boosting innovation. This has led to a 'symbiotic relationship' where political elites and business magnates support each other: the former gains political legitimacy, while the latter expands their ventures.

VinGroup is an example of this relationship. It has rapidly expanded into various sectors, including real estate, retail, and automation. VinGroup's business endeavours support government objectives in investment, job creation, and economic growth. In addition, VinGroup's philanthropic activities, healthcare infrastructure investments and education projects align with government development goals. VinGroup has been increasingly active in the green economy, including through rooftop solar and battery storage. VinFast's electric vehicle project is amongst the corporations' efforts to advance green and clean energy. Through a comprehensive electric mobility ecosystem (including electric scooters, electric cars, electric buses, and charging stations), and offering a green competitor to Uber, VinFast is working to reduce dependence on fossil fuels for transportation.


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