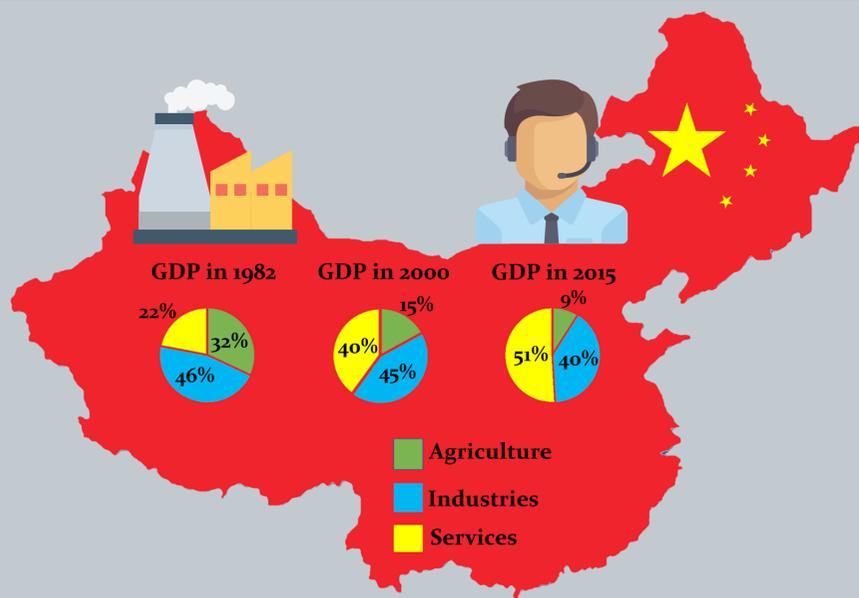


Vietnamese Trade: What's in it for Canada?

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As China's economy shifts focus from *manufacturing* to *services*, many have been left wondering who will be the next "world's factory."

ASEAN

ASEAN roughly covers the land mass of India and Canada combined.

With a collective GDP of **\$2.4 Trillion**, the Association of Southeast Asian Nations (ASEAN) is positioned to become the next "world's factory."

Vietnam has the potential of being a regional power in ASEAN.



Indonesia, Thailand, and Malaysia all have fallen into the middle income trap, causing a slowdown in GDP growth. Singapore is a regional exception as they have built a fully developed economy.

So where does this leave us?

Vietnam differs from other ASEAN members due to its stable regime, modernizing infrastructure, and Foreign Direct Investment incentives.

Privatization of State Owned Enterprises (SOEs)

Corporate Tax Incentives

Greater Incentives in Remote Regions

Key *reforms* in 2013 have created an investment climate with a high growth potential for foreign investors.

Decrease in Corruption

Subsidies for Research and Development

Bilateral Trade with Vietnam

What can Canada Learn?

Free Trade Agreement (FTA):

- An elimination of tariffs, which are taxes levied on imported goods
- Increase commercial and cultural exchange

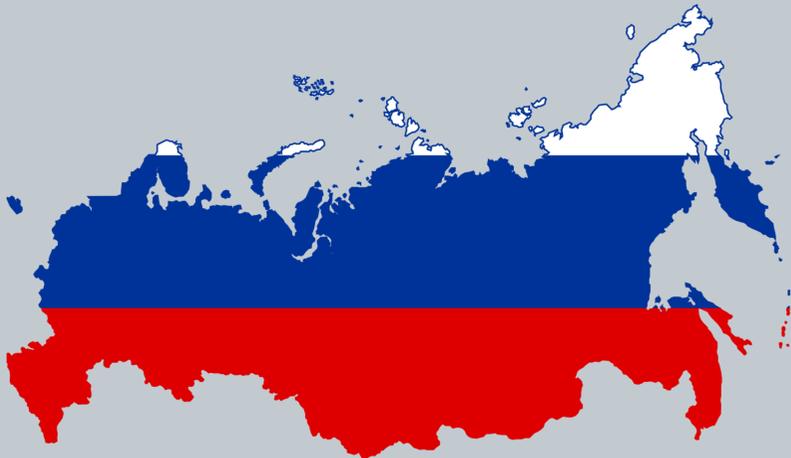


Sweden's diplomatic and trade relations with Vietnam have fostered mutual Small-Medium Enterprise (SME) growth in addition to large firms.

More than 60 Swedish businesses are currently operating in Vietnam.

Germany's diplomatic and trade relations with Vietnam have fostered cultural exchange by developing Vietnamese human capital, while also increasing their cultural and economic integration.

Since 1990 approximately 100,000 Vietnamese have studied or worked in Germany.



Russia has similar GDP and exports as Canada. Focusing on raw minerals, mineral oils, and agri-science exchange, the Russia-Vietnam trade relationship can serve as a template for Canada.

Vietnamese and Russian trade aims to reach \$10 billion by 2020.

Multilateral Trade with Vietnam

Why should Canada be interested?



Threat of NAFTA Renegotiation

TPP is effectively dead

CETA is a ratified multilateral FTA between Canada and the EU. This agreement displays Canada's desire to shift away from **US trade dependency.**

61.7% of Canadian goods and services go to the US

Softwood lumber Tariff of 20%

AANZFTA



The ASEAN, Australia, New Zealand FTA (AANZFTA), is a ratified FTA between eleven nations in the South Pacific. This agreement displays ASEAN's willingness to act as a unified trade bloc in the negotiations of FTAs.

100% Tariff Elimination for New Zealand and Australia

At least an 80% Tariff Elimination for all other Nations

Treating ASEAN as a cohesive unit is the most probable way for Canada to successfully trade with Vietnam.

Multilateral Trade with Vietnam

How can Canada get Involved?

RCEP

In a globalized economy, Canada should remain open to incoming trade opportunities.

The Regional Comprehensive Economic Partnership (RCEP), is a soon to be ratified FTA between ASEAN, China, India, South Korea, Japan, Australia, and New Zealand.

Entry into RCEP would allow Canada to reach a market much larger than currently available through NAFTA and CETA.



Contributes 30% of global GDP

At least 80% of tariffs to be eliminated over time

25% of world's exports originate from RCEP signatories

Large focus on SME development

ASEAN is a bigger player in RCEP compared to TPP

Includes over 50% of the world's population

Current Vietnamese bilateral FTAs display the benefits of trade beyond the elimination of tariffs in multilateral FTAs

Final Insights

Multilateral FTAs are easier to access, but will give Canada less bargaining power depending on their scope.