

## Backgrounder

### CANADA-VIET NAM ECONOMIC RELATIONS

Since 1986, Viet Nam has been implementing a market-oriented process of economic reform known as *doi moi* or openness. As a result, Gross Domestic Product growth has risen steadily in the last few years and is expected to reach eight percent in 1994<sup>1</sup>. Inflation has dropped dramatically to seven percent in 1993 from 67 percent in 1990<sup>2</sup>. Changes include: allowing most prices to be determined by the market; the long-term lease of agricultural land; the development of a mixed economy; and, a foreign investment code adopted in 1988. As a result, foreign direct investment and overall business interest in Viet Nam has grown quickly.

Canada is well placed to contribute to, and benefit from, Viet Nam's economic reforms. Canadian expertise and capabilities match Vietnamese requirements in areas designated by the Vietnamese government for priority development, particularly the transportation, telecommunications and energy sectors.

Although bilateral trade between Canada and Viet Nam is modest, (reaching \$42 million in 1993 compared to \$31 million in both 1991 and 1992), there is considerable and growing interest among Canadian businesses in developing greater commercial ties. Over 200 Canadian business people and delegations visited Viet Nam in the last year. Canadian companies have invested \$110 million in Viet Nam since 1988, ranking Canada 15th among foreign investors. Major exports to Viet Nam include pharmaceuticals, machinery and pulp, while major imports consist of seafood products, apparel and apparel accessories.

Canada and Viet Nam are strengthening their relationship through the negotiation of a series of agreements in areas such as economic co-operation, development co-operation, trade, avoidance of double taxation and mutual legal assistance. In support of Canadian business interest, the Department of Foreign Affairs and International Trade co-sponsored, in four Canadian cities in February, well-received seminars entitled "Viet Nam: Emerging Opportunities, Challenges and Strategies for Success."

Another important aspect of the Canada-Viet Nam relationship is Canada's efforts to promote the process of economic reform under way in Viet Nam and to assist Viet Nam's integration into the regional and international economy. Viet Nam has received \$29.7 million in official development assistance through the Canadian International Development Agency (CIDA), active in Viet Nam since 1990. The bulk of this has been in the form of humanitarian assistance and food aid (\$19.5 million).

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1. Source: Export Development Corporation, *Country Risks & Opportunities*, Spring 1994.

2. *Ibid.*