

Canada-Southeast Asia trade on upward track

Amid a surge in Canadian exports to Southeast Asia, enthusiasm for investment in the region continues to rise, with a recent survey indicating that, with the exception of China, Canadian attitudes are more bullish about Southeast Asia than any other region in the Asia-Pacific.

The member countries of the Association of Southeast Asian Nations (ASEAN) comprise Canada's second-largest emerging market export destination after China, thanks to robust economic expansion—expected to average 4.5% this year—and strong domestic demand. So far this year, Canadian exports to the region have experienced explosive growth.

According to Statistics Canada, in the first six months of 2004, Canadian

exports to ASEAN partners rose 32% over the same period last year, varying from 8% growth in exports to Malaysia to an enormous 80% rise in exports to Indonesia. Two-way trade totalled \$5.3 billion during that period, compared with \$1.1 billion for India.

Canadian businesses are also expanding beyond the usual export sectors, such as cereals and wood pulp, into diverse areas ranging from agri-food to aerospace. Science and technology is one area gaining in importance and Canada has been very active in fostering linkages with ASEAN partners in sectors such as food processing, life sciences and environmental technologies. Among the Canadian firms that have made inroads into the market are Nortel Networks (www.nortelnetworks.com),

Inco (www.inco.com) and Manulife Financial (www.manulife.com).

And Canadian businesses appear upbeat about prospects in the region in the coming months. In a survey conducted earlier this year by the Asia Pacific Foundation of Canada (www.asiapacific.ca), 16% of respondents stated they were interested in investing in the Southeast Asia region in the next 12 months. This was up from 14% in 2003. Only China attracted more interest in the Asia-Pacific region at 17%, while 7% of respondents were eyeing Japan and 8% mulling India.

While investment intentions are strong, ASEAN is already a major destination for Canadian investment in Asia. Last year, Canadian foreign investment in the region exceeded \$11 billion, more than investment in China, Japan and India combined and more than double 1997 levels.

For more information, contact International Trade Canada's Southeast Asia Division, tel.: (613) 996-8187. 🌟

Canadian dental care arrives in Vietnam

Vietnam's largest city now has one more reason to smile. Ho Chi Minh City is home to a new state-of-the-art dental clinic, opened in early September by the Canadian firm **Maple Healthcare** (www.maplehealthcare.net) to meet the increasing demand for better dental care services and to cater to tourists seeking cheaper treatments.

"Vietnam is growing rapidly and its citizens are beginning to demand world-class health care," says Dr. Andrew H.F. Tsang, the venture's director, principal dentist and clinical instructor at the University of British Columbia. "We are positioning Maple Healthcare to take full advantage of this new trend."

The \$2.6-million dental clinic offers services ranging from cosmetic and laser dentistry to orthodontics and dental implants. It houses eight dental rooms, all fitted with the most advanced dental equipment available. This high-tech equipment includes Vietnam's first digital scanner and dental laser.

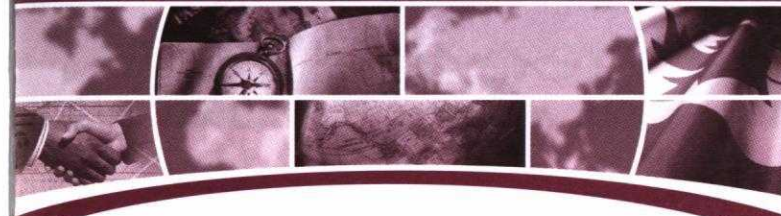
The company sees significant opportunities in teeth whitening, a procedure that can cost anywhere from \$400 to \$1300 abroad but just \$130 to \$260 at Maple Healthcare, thanks to lower overhead costs.

The clinic hopes to market its services to the city's increasingly affluent middle class, as well as to expatriate residents. It also hopes to tap into the lucrative trend of

healthcare tourism, a sector that in 2002 brought more than 60,000 "visiting patients" from Europe and Asia to Thailand alone.

Maple Healthcare's investment comes at a time of booming economic growth in Ho Chi Minh City. This positive business outlook is due to Vietnam's planned accession to the World Trade Organization by 2005-2006 and the country's ongoing economic liberalization. The company is already eyeing possible expansion to Vietnam's capital, Hanoi, and the city of Danang.

For more information, contact Robert Coleman, Trade Commissioner, Canadian Embassy in Vietnam, e-mail: hochi-td@international.gc.ca. 🌟



Canadian Trade Review

A Quarterly Review of Canada's Trade Performance—Second Quarter 2004

This review reports on Canada's continued economic growth in the second quarter of 2004, and highlights our trade and investment performance in key sectors and markets.

Broad-based Export Growth Pushes Up Quarterly Economic Expansion

Growth in exports helped to accelerate the Canadian economy's rate of expansion in the second quarter, as real gross domestic product (GDP) expanded by 4.3% (annualized)¹—up from 3.0% the previous quarter.

South of the border, final estimates indicate that US GDP expanded in the second quarter by 3.3%—down from 4.5% in the first quarter. Growth in Canada's other major markets in the second quarter varied: in the EU it was 2.0%, while in Asia, Japan registered 1.7% and China 9.6% (the latter comparing second quarter GDP with the same quarter a year earlier).

The economic expansion in Canada was led by robust export growth, while consumer spending leveled off in the second quarter. The housing boom continued, albeit at a slower pace, and business investment in plant and equipment only advanced modestly.

Exports of goods and services advanced at a blistering 41.0%, while imports expanded by 29.1%. The surge in exports spurred a 1.6% increase in manufacturing output as 17 of 21 manufacturing groups—led by transport equipment manufacturers—expanded over the quarter. Similarly, increased exports and imports also supported expanded rail and truck transportation services.

With exports advancing at a faster pace than imports, the trade balance improved by \$ 14.6 billion in the quarter. However, an offsetting \$5.8 billion decline in investment income reduced the improvement in the current account to \$8.7 billion.

Table 1: Canada's Economic and Trade Indicators

Percent Change at Annual Rates Second Quarter 2004 over First Quarter 2004	
Real GDP (annualized)	4.3
Employment (quarterly increase, level)	130,400
Rate of Unemployment (quarterly average)	7.3
Consumer Price Index (first quarter 2004 over first quarter 2003)	
All Items	2.2
Core (excludes food and energy)	1.7
Canadian \$ in U.S. funds (average for quarter, level)	0.7358
Exports of Goods and Services (annualized, current dollars)	41.0
Imports of Goods and Services (annualized, current dollars)	29.1

Source: Statistics Canada

Job creation in Canada resumed in the second quarter, after a net loss in the first quarter. The net quarterly increase was 130,400, with some 92% added as full-time positions. With this development, the average unemployment rate for the quarter fell to 7.3% from 7.4% the previous quarter.

Inflation increased to 2.2% in the second quarter after falling to 0.9% in the previous quarter. Core inflation increased more moderately—from 1.3% to 1.7%—over the quarter.

The Canadian dollar was down 3.0% vis-à-vis the American dollar in the second quarter—the quarterly average value of the "Loonie" was 73.58 US¢.

¹ To make quarterly data comparable to annual data, the quarterly figures for trade in goods and services are adjusted for seasonality and are expressed at annual rates by raising them four times, i.e. seasonally adjusted annual rates - s.a.a.r. All figures, with the exception of investment figures, are expressed on an s.a.a.r. basis, unless otherwise noted.

Prepared by the Trade and Economic Analysis Division (EET)