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TRADE/INVESTMENT

US-Vietnam aviation talks

On 21 July, *The Journal of Commerce* reported the US and Vietnam are preparing for bilateral aviation negotiations. Patrick Murphy, deputy assistant secretary for aviation and international affairs at the US Department of Transport (USDOT) said a team of safety specialists from the Federal Aviation Administration (FAA) could visit Vietnam as early as September. The FAA safety inspection is the first step toward beginning US air service to a country. Once the FAA approves Vietnam's aviation facilities, the two countries will begin talks regarding commercial aviation rights.

Last May, USDOT officials wrote a letter to the Permanent Mission of Vietnam to the UN in New York requesting bilateral negotiations. On 20 July, the Vietnamese mission informed the USDOT that Vietnam is willing to accept a US aviation delegation.

US's Singapore connection to Vietnam

According to information in the *National Trade Data Bank*, the US and Foreign Commercial Service (USFCS) in Singapore is willing to assist US companies find Singaporean partners to penetrate the Vietnamese market. The USFCS office in Singapore interviewed three Singaporean trading companies doing business in Vietnam. The USFCS report states all three firms agree that the Vietnam market is growing, that US goods are much sought after, and that an "on the ground" presence is necessary to take advantage of the market. The three firms surveyed were selected from a group of 250 companies that informed USFCS that they want to sell US products in Vietnam. US companies that want to enter the Vietnam market through Singapore trading companies should fax a brief but specific description of their products to USFCS Singapore at 65-338-5010. USFCS will attempt to match them with appropriate Singapore companies.

Vietnam updates

◆ **Coffee to US** - On 19 July, the *Lao Dong* newspaper reported a shipment of 54 tons of coffee from the central highland province of Dac Lac was being shipped to the US. A trader in HCMC said he believed the shipment was destined for an exhibition in San Francisco and for samples. Although the trader said it will be difficult for Vietnam to compete directly in the US coffee market until it has most favored nation (MFN) trading status, there is no duty for importing coffee under US tariff laws.

◆ **Noodles to US** - On 22 July, the *Vietnam News Agency* reported a consignment of Sunburst brand noodles worth US\$60,000 is being shipped by the state-owned Vietnam Food Industry Corporation to a US buyer. There is no import duty on noodles under US tariff laws.

◆ **West Lake hotel** - On 20 July, Malaysia's Faber Hotel Holdings held a ground-breaking ceremony for a 19-story, 279-room hotel on Hanoi's West Lake. The US\$44 million project, a joint venture between Faber and Hotay Production Services Co., is due to be completed in January 1997.

◆ **Oil reports premature** - On 18 July, the Malaysian oil company, Petronas, said reports of an oil strike were premature. The *Vietnam Investment Review* reported Petronas found "a high show of hydrocarbon" in one of its offshore wells that could lead to a major oil find. A Petronas official said, "It is premature to talk about flow rates or the size of the reservoir until after testing." The Petronas field, in block 01, is near Vietnam's only producing field, the *Bach Ho* (White Tiger), and is adjacent to the area where Japan's Mitsubishi Oil Co. Ltd. recently found oil [see *Digests*, 15 Jul & 24 Jun].

US rebuilds Cambodian highway

On 22 July, the US Agency for International Development (USAID) announced two American firms were awarded a US\$24 million contract to rebuild National Route 4, connecting Phnom Penh with the port of Sihanoukville. "The contracts are with Fischbach International for the construction, and Louis Berger International Inc., for the construction supervision," USAID said. "The road was originally constructed by USAID in the 1950s. Under this project, the road will be rebuilt to its original specifications."

VIETNAM

GATT observer status granted

On 20 July, the ruling council of the General Agreement on Trade & Tariffs (GATT) granted observer status to Vietnam. A GATT spokesman said the Vietnamese application was widely welcomed by delegations from GATT's 123 member countries. Vietnam's ambassador to Geneva, Nguyen Luong, told the council Vietnam would like to become a full member and saw its admission as an observer as the first stage in the process. GATT is to be absorbed into the new World Trade Organization next year. There are seven other countries with GATT observer status: Iran, Macedonia, Uzbekistan, Azerbaijan, Kazakhstan, Kyrgyzstan and Turkmenia. China and Russia have full membership applications under negotiation.



French accords

France's Economy Minister Edmond Alphandery signed several agreements in Hanoi during an official visit to Vietnam 20-23 July:

◆ **Debt relief** - France is cancelling a debt of 1.2 billion francs [US\$226 million] and rescheduling an additional debt of 1 billion francs [US\$188 million]. Both debts were to government agencies, the French development bank Caisse Francaise du Developpement and the state export credit agency, COFACE. The debt relief was France's part of a general rescheduling of Vietnam's US\$4.5 billion hard currency debt decided at a Paris Club meeting last December [see *Digest*, 17 Dec].

◆ **Aid nearly doubles** - Under an agreement signed with the Ministry of Finance, France's aid package to Vietnam this year will total 425 million francs [US\$80 million], up from 250 million francs [US\$47 million] in 1993. French officials said the aid package is a mixture of grants, loans at 1% interest and government-guaranteed private credits, and will be used to finance projects in water treatment, telecommunications, energy, health and other fields.

◆ **Claims agreement** - France will unblock 30 million francs [US\$5.7 million] for Vietnam which has been frozen in France since 1954. The agreement is part of a broader accord between France and all three of its former Indochinese colonies Vietnam, Laos and Cambodia. France will also provide funds to help Vietnam pay 45 million francs [US\$8.5 million] in compensation to French companies for property expropriated in 1975.

◆ **Credit guarantees** - France will authorize its state export credit agency (COFACE) to guarantee medium-term and long-term credits for Vietnam deals.

Diplomatic updates

◆ **EU** - On 21 July, the European Union's external affairs commissioner, Hans van den Broek, arrived in Hanoi for three days of talks prior to the ASEAN Regional Forum in Bangkok. An EU spokesman said van den Broek's visit is "an indication of the commitment of the EU to close cooperation with Vietnam." Discussions dealt with Vietnam's role in the Southeast Asian region, and the EU's continuing pledge of assistance for returning "boat people." The commissioner also discussed a new trade, aid and economic pact with Vietnam, which is being delayed over the inclusion of a human rights clause in the accord [see *Digest*, 13 May]. The EU is planning to open a delegation or an embassy in Hanoi by the end of 1994.

◆ **New Zealand** - On 18 July, during a visit to Vietnam, New Zealand's Deputy Prime Minister and Foreign Minister Don McKinnon said New Zealand intends to open an embassy in Hanoi, probably next year. New Zealand, which has full diplomatic relations with Vietnam, handles its relations through its embassy in Bangkok.

◆ **Japan** - Japan's Premier Tomiichi Murayama is planning a week-long trip to Asian nations beginning 23 August which may include a visit to Vietnam. If the trip occurs, Murayama will be the first Japanese premier to visit Vietnam since the two countries established diplomatic ties

in 1973. Sources for *Deutsche Presse-Agentur* said Murayama would pledge to provide additional Japanese credits to Vietnam.

Monk commits suicide

On 18 July, the France-based human rights group, the International Buddhist Information Bureau (IBIB), released a report that on 28 May, a Buddhist monk burned himself to death in a protest for religious freedom. Vietnam's foreign ministry dismissed the report, stating this is not the first time that the IBIB "has made such a slanderous allegation about the Buddhist situation in Vietnam. No monk named Thich Hue Thau burned himself as reported." The ministry said a different monk, Thich Thien Tam, committed suicide at a pagoda in southern Vietnam "for personal reasons." IBIB contends the two names are referring to the same monk.

Privatization scheme

According to the *Saigon Newsreader*, the Central Institute for Economic Management (CIEM) has drawn up a plan that would reduce the number of state-owned enterprises to just 500 over the next five years. Under the plan, 300 firms would survive individually, while another 200 would be merged into conglomerates aimed at competing with larger international corporations. The CIEM said that with "fewer children to look after the government could feed its businesses better so they could play the key role in the economy that they are supposed to." Areas which would remain under state control include aviation, railways, oil, transport and construction, while other sectors would be taken over by private enterprise. In Vietnam, there are currently about 5,000 state-owned firms operating, half the number which existed in 1991. Vietnam has sought to close down or merge enterprises that have been losing money.

Budget cuts proposed

The State Planning Committee has proposed cutting 400 billion *dong* (US\$36 million) from government spending this year to help reduce the state budget deficit. The cuts include 200 billion *dong* (US\$8 million) earmarked for approximately 200 projects that have not yet met their start up requirements, and 200 billion *dong* set aside to support delayed infrastructure projects. The proposed cuts are in addition to a National Assembly decision to acquire savings of 5% from the total budget expenditure, which was 38,000 billion *dong* (US\$3.5 billion) last year and was forecast at 48,000 billion *dong* (US\$4.4 billion) for the current year. Vietnam's budget deficit was 6,695 billion *dong* (US\$660 million) in 1993, and is expected to reach 7,850 billion *dong* (US\$720 million) this year, according to official figures.

AIDS deaths increase sharply

On 20 July, the National AIDS Protection Committee (NAPC) announced the number of AIDS deaths increased from 34 in June to 48 in July. The central province of Khanh Hoa had 25 deaths. Between 30 June and 15 July, the number of Vietnamese testing positively for the HIV virus grew from 1,411 to 1,512, of which 125 have AIDS. An NAPC spokesman said that the sharp increase in July was related to difficulties in gathering reports from all over the country. This year, Vietnam has quadrupled its AIDS budget to 20 billion *dong* (US\$4 million).



Market fire updates

While there are no official estimates of losses incurred in the fire that destroyed the Dong Xuan market in Hanoi on 15 July [see *Digest*, 15 July], news reports put the losses at tens of millions of dollars. The market was refurbished three years ago at a cost of 20 billion *dong* (US\$2 million), and new escalators costing 4 billion *dong* (US\$400,000) were recently installed. Twelve people are facing charges stemming from the fire, including 10 suspected looters, the woman who owned the shop where the fire started, and the market security chief, who is accused of not switching off the electricity when the market closed. Investigations into the exact cause of the fire continue. Authorities plan to build a temporary market where the 2,000 stallholders affected by the fire can continue their businesses rent free, while the Dong Xuan market is being rebuilt.

Floods in the Mekong Delta

On 18 July, several newspapers reported that heavy rains have caused flooding in about 10,000 hectares (25,000 acres) of rice-producing fields in Kien Giang province which will result in serious damage to the next rice crop. *Saigon Giai Phong* said some areas showed a loss of 500 kg (1,100 pound) per ha (2.5 acres). *Vietnam News* said there was also flooding in neighboring An Giang and Dong Thap provinces. According to *The Saigon Newsreader*, "With the persistent heavy rains, several provinces downstream in the Mekong Delta can hardly escape floods and the losses of the summer-autumn crop."

CAMBODIA

Military assistance

Surplus military equipment, donated by the US to the Cambodian Royal Army, arrived in Phnom Penh on 19 July. 15 US soldiers accompanied the graders, bulldozers, generators and 2 ambulances and will spend several months training Cambodian soldiers in the use and maintenance of the equipment.

A 10-member delegation from Australia's defense ministry arrived in Phnom Penh on 18 July for a 4 day visit. The delegation will make an assessment on the type of military assistance needed by Cambodia. Australian defense minister Robert Ray indicated that any aid Australia may provide would involve training for the Cambodian army.

Hostages feared dead

Evidence has been discovered which suggests the three western hostages kidnapped in April have been killed by their captors [see *Digests*, 15 Jul, 10 Jun]. In a 17 July interview, Australian Foreign Minister Gareth Evans said, "fragmentary human remains and clothing recently recovered by Cambodian police operatives near a guerrilla camp in southern Cambodia [shows] that there is a high likelihood—though not yet absolute—that the three young captives have been killed." A spokesperson for Britain's Foreign Office in London confirmed that evidence recovered from the area where the three were reported missing is "now under forensic analysis in London."

There has been no information on the whereabouts of three other westerners who disappeared this year. Briton Robert Burndred disappeared with a female Thai friend in early January along the Thai-Cambodian border near the Preah Vihear temple ruins. Burndred's family has hired a Hong Kong-based private investigator to assist in the search. Two Belgians, Michael Baran and Nathalie Roobaert, disappeared in the same area in late May [see *Digest* 27 May]. The Belgian-based firm International Danger Disaster, with assistance from Cambodia's defense ministry, dropped 50,000 leaflets on 20 July in the eastern provinces Preah Vihear, Siem Reap and Koh Kong offering rewards for information regarding the missing foreigners.

Rice exporter to importer

A recent report from Cambodia's Ministry of Agriculture blames the ongoing war between the Khmer Rouge and the government for a possible "rice shortage of up to 200,000 tons in 1994." The report said, "The problems of food supply are caused mainly by war which has shrunk agricultural land while other [agricultural] areas have become mine fields and others have become drought-affected." Finance Minister Sam Rainsy said the price of rice in local markets has increased 33% and he predicted a net shortfall of 180,000 tons in 1994. "It seems now the rice harvest of this year will be very bad. Before the next harvest we'll have to import," he said.

Decades-old ordnance blown up

Experts from the British mine-clearing charity Halo Trust are helping the residents of Prek Treng, a village in Kandal province, rid themselves of unexploded ordnance which has plagued the village for over two decades. "We've detonated quite a lot of ordnance around here over the past week," said a spokesperson for the group. So far the group has uncovered 40 mm grenades, 82 mm mortars, air to ground rockets, anti-personnel boblets and two 500 lb bombs which were dropped from a B-52. The experts disposed of one of the bombs by blowing it up. A woman villager, whose house was near the bomb said, "My husband plowed round this thing every year."

REGION

Asean meeting updates

ASEAN's annual conference opened in Bangkok on 22 July.

◆ **Vietnam's membership** - Senior Thai officials have indicated that only technical details remain to be solved before Vietnam is granted membership status in ASEAN. "We have to work out procedures, but that's only the technical side," the official said. "Since the day of its inception we hoped that one day ASEAN would be the ASEAN-10, not the ASEAN-6," he added, referring to the inclusion of Vietnam, Laos, Cambodia and Burma. Laos will also attend the meeting as an "observer" but the official said "Laos has not yet made any approach in such a way as the Vietnamese did. [If they had] we would certainly look at it." Cambodia will attend the meeting as a guest of ASEAN while Burma, a guest of Thailand, will attend only the opening and closing ceremonies of the meeting.



◆ **Human rights conference** - Thai government officials have been exerting pressure to stop an independent human rights conference from taking place during the ASEAN meeting. The Southeast Asian Human Rights Network conference was originally scheduled to take place at Chulalongkorn University, but the school withdrew its permission for the meeting. The second venue chosen for the meeting, Bangkok's Asia Hotel, unexpectedly canceled the group's reservation on 19 July. Organizers, however, have vowed the meeting will take place. Thai officials were concerned that an exiled East Timor opposition leader would use the conference as a forum to disrupt the ASEAN meeting and embarrass Thailand and Indonesia in the process. On 22 July, Thailand deported 3 opponents of Indonesian rule in East Timor. "In all affairs you have to have priorities. The priority for Thailand over the next 10 days is to look after the welfare of the countries, the VIPs, that are visiting," a Thai official said.

◆ **No confidence vote set** - On 18 July, *The Asian Wall Street Journal Weekly* reported that a no confidence vote on Thai Prime Minister Chuan Leekpai's government has been scheduled for 27 and 28 July, the last two days of the ASEAN meeting. Four cabinet ministers have been targeted by opposition parties including the Chairman of the ASEAN meeting, Thai Foreign Minister Prasong Soonsiri.

◆ **The affairs of state** - US Secretary of State Warren Christopher has canceled his trip to Bangkok for the ASEAN meeting in order to remain in Washington to attend a historic summit meeting between King Hussein of Jordan and Israeli Prime Minister Yitzhak Rabin on 25 July. Deputy Secretary of State Strobe Talbott will represent the US at the ASEAN meeting. Talbott is expected to honor Christopher's commitment to meet with Vietnamese foreign minister Nguyen Manh Cam.

Spratly updates

◆ **China & Vietnam today** - On 22 July, the foreign ministers of China and Vietnam met in Bangkok at the start of the ASEAN conference. Vietnam's Foreign Minister Nguyen Manh Cam told reporters they agreed in their talks "to settle the matter on the principle of peaceful negotiation." Cam added, "Both sides also committed to exercise self-restraint and not do anything to make the situation deteriorate on the basis of sovereignty and the territorial integrity of both sides."

◆ **China & Vietnam (earlier)** - On 20 July, China's foreign ministry issued a statement warning Vietnam to stop drilling in an area near the Spratly islands: "Vietnam's drilling activities in this area have gravely encroached upon Chinese sovereignty and maritime interests. The Chinese government has demanded that the Vietnamese side stop the drilling activities immediately. The Vietnamese side shall be held responsible for the ensuing consequences." A Vietnamese embassy spokesman in Beijing denied Vietnam was doing anything illegal, that the area was part of Vietnam's waters, and "it is our proper right to drill there." Neither side would confirm or deny reports that two Chinese warships were stopping a Vietnamese rig from working in the area or that a Chinese ship turned back a Vietnamese supply vessel recently.

◆ **US warns its firms** - On 20 July, US Assistant Secretary of State Winston Lord warned US firms of the risks of oil exploration in the Spratly islands, saying it might complicate attempts to resolve rival disputes. "Although we don't forbid them to do business there or to explore, we have pointed out the possible risks involved with the overlapping territorial claims. This does add another dimension to the problem."

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