



# Indochina Digest

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## TRADE/INVESTMENT

### Cambodia passes investment law

On 4 August, Cambodia's national assembly passed its investment law after months of arguing between competing interests in the administration and extensive redrafting. The law had been approved by the Council of Ministers in June [see *Digest*, 24 Jun]. Although the law provides a boost for Cambodia's economic climate, foreign businessmen and others said it is unlikely to bring a rush of new investments. "It's a fillip to potential investors but given overall confidence in Cambodia I don't think there is going to be a queue of people waiting to come in," said a foreign businessman quoted by *Reuters News Agency*. Another foreigner in Phnom Penh said, "The law is not going to change the comparative advantage of Cambodia, vis-a-vis other countries in the region....It will enable the investment process to move forward after months of stalemate, but overall Cambodia's attractiveness has not changed."

### Cambodia updates

◆ **Property venture** - Three former Singapore exchange traders have set up a Singapore holding company, Olympic Development Pte. Ltd., to undertake property development in Cambodia. The firm is building a US\$50 million hotel, office and shopping complex in Phnom Penh, which is expected to be completed in June 1995. Olympic's managing director said, "The project is being financed by Olympic's three Singapore directors and we should get our returns in four years after completion....Cambodia is in the triangle of growth with Laos and Vietnam. Tourist agencies will be using Cambodia as a stopover point within the triangle."

◆ **Refinery bids** - Cambodia is planning to build an oil refinery in Sihanoukville. Thus far, 11 companies have submitted bids for the refinery, including: Quata (Liberia); the Ban Chang group (Thailand) with Sembawang (Singapore); the Tokyo Group (Japan); Technic (France), SNM Board Export (Cambodia), Nissho-Iwai (Japan), and companies from Thailand and Malaysia.

### Vietnam investment updates

◆ **1st half stats** - During the first six months of 1994, the State Committee for Cooperation and Investment (SCCI) approved 148 licenses, a 6.5% increase over the same period in 1993. Total capital of the 148 projects, and plans to increase the working capital of 31 already approved projects, amounted to US\$1.7 billion. Hong Kong was the largest investor, with 31 projects worth US\$364 million. The largest number of projects, 89, were in the industrial sector, followed by 36 service center projects and 19 hotel projects.

◆ **North-south gap** - During the first six months of 1994, investment in Hanoi increased sharply, narrowing the gap between Hanoi and HCMC. SCCI approved 49 projects worth US\$395 million for HCMC in the first half of 1994. During the same period, it approved 40 projects worth US\$233.7 million for Hanoi. Since Vietnam introduced its liberalized foreign investment code in 1987, 143 investment projects worth US\$1.7 billion have been approved for Hanoi.

◆ **Enough EPZs** - On 2 August, the *Journal of Commerce* reported that no new Export Processing Zones (EPZs) will be permitted. Vietnam has approved plans for six EPZs, but only one is operational. SCCI vice chairman Lu Minh Chau recently expressed alarm at the proliferation of EPZs, stating they were emerging "too early and too rapidly" for the country's development. Chau threatened to disband those EPZs which seemed "feeble and unpromising." An SCCI director said Vietnam is beginning to favor industrial parks, which are less geared to exports.

### Vietnam oil updates

◆ **Oil finds predicted** - PetroVietnam chairman Ho Si Thoang told a news conference that foreign companies prospecting for oil and gas offshore Vietnam will announce up to 5 new discoveries in the near future. Japan's Mitsubishi Oil Co. and Malaysia's Petronas Carigali recently announced oil discoveries with commercial potential [see *Digests*, 29 Jul & 24 Jun]. "I can affirm that in the very near future, Vietnam will have other formal declarations about new oil fields," he said. Speaking to reporters later, Thoang named South Korea's Pedco, Japan's AEDC and British Petroleum as three of the companies that have yet to announce their discoveries.

◆ **Second refinery bids** - Vietnam is now accepting bids for its planned second oil refinery. Vietnam recently awarded a feasibility study contract for its first US\$1.2 billion refinery to a French firm and two Taiwanese firms [see *Digests*, 17 Jun & 11 Feb], which is expected to come on stream in 1999. The *Vietnam Investment Review* reported a consortium led by Oklahoma-based Jopec Corp. and Canada's Saint Martino Inc. has already make a proposal for the second refinery, together with a Houston-based firm, Plant Processing Equipment, to handle the technical work.

◆ **Japanese stake** - A small independent Japanese refiner, Taiyo Oil Co. Ltd., announced on 4 August that it bought a stake in offshore oil block 04-2, which is being operated by the British oil firm LASMO Plc. Taiyo bought 7.5% of CIECO Con Son Inc, which has a 37.5% stake in the oil block. Japan's ITOCHU Corp. and the Japan Petroleum Exploration Co. Ltd. own the remaining part of CIECO. LASMO owns 37.5% of the oil block, and the US firm Union Texas Petroleum Holdings Inc. holds the remaining 25%.

**Vietnam updates**

◆ **Shrimp for US** - An initial 18-ton consignment of frozen shrimp shipped by the Cantho Sea and Animal Products Processing and Export Enterprise (CAFATEX) arrived in Florida during the last week of July. CAFATEX marketing officer Duong Minh Tri said, "I am sure Vietnam can compete with other countries like Thailand and Indonesia to infiltrate the American market," adding Vietnamese shrimp were 3% to 5% cheaper than shrimp from Thailand. Tri told *Reuters News Agency*, "If the shipment passes strict inspections by American authorities, we think we can export one or two shipments this August...but the amount is not big because we still don't have MFN [Most Favored Nation trading status]." However, under US tariff laws, there is no duty on shrimp.

◆ **US ship society agreement** - The American Bureau of Shipping and the Vietnam Register of Ships signed an agreement for the dual classification of ships. The agreement provides for cooperation and joint surveys for new and existing ships. Ship classification societies inspect ships for insurance companies and prospective purchasers.

◆ **Canada-Vietnam flights** - PWA Corp, a subsidiary of Canadian Airlines International, and Vietnam Airlines are planning to start a coordinated service from Toronto to HCMC this winter. According to PWA, the two carriers will operate two weekly flights via Paris' Charles de Gaulle airport. Service will increase to three weekly flights during the peak season.

◆ **Textile output increase** - On 3 August, the *Vietnam News Agency* reported that Vietnam's textile firms have more than doubled their output of high-grade yarn. Production during the first six months of 1994 increased to 3,000 tons, compared with 1,200 tons for all of 1993. Exports reached US\$145 million, a 50% increase over the first half of 1993.

◆ **Templeton Vietnam Opportunities Fund** - On 3 August, *The Wall Street Journal* reported that underwriters, led by General Electric's Kidder Peabody, plan to launch the Templeton Vietnam Opportunities Fund. The fund is targeted to raise US\$150 million.

**VIETNAM****Muoi urges control of the economy**

On 2 August, the *Vietnam News* reported on the meeting of the Communist Party's central committee, which ended on 30 July. During the meeting, Communist Party Secretary-General Do Muoi urged the country to encourage foreign investment, but not to rely too heavily on foreign funds, and to use those funds judiciously. "Only in this way can we hope to preserve our independence and sovereignty in the economy and avoid snowballing foreign debts as well as many other grave consequences," Muoi said. Muoi urged the expansion of the private sector to generate jobs for Vietnam's 37 million workers, and said the government should support the private sector, particularly firms that make goods rather than simply trade them. He also said the state-owned

enterprises should continue to take the leading role in the economy. The secretary-general also urged Vietnamese living overseas to get involved in Vietnam's effort to rebuild after decades of war.

**July inflation down**

Inflation rose a low 0.2% in July, and totalled 7.1% in the first six months of 1994. July's inflation rate was down from 0.9% in June and 0.6% in May. The government said inflation should not be allowed to increase more than 0.5% per month between now and December to keep within the targeted 10% inflation for the year. Inflation is already higher than last year's record low of 5.2% because of growth and higher imports and exports.

**Monk's conviction confirmed**

On 1 August, a court official said the Vietnamese Appeals Court in Vung Tau confirmed the conviction and 3-year jail sentence on Buddhist monk Thich Hanh Duc [see *Digest*, 29 Jul]. The court held a public retrial on 30 July, but did not change the sentence passed by the lower court against Duc for "obstructing the performance of official duties."

**Koreans help rebuild market**

On 4 August, the South Korean firm Daewoo pledged US\$1 million to help rebuild the Dong Xuan market, which was destroyed by a fire on 15 July [see *Digests*, 25 & 22 Jul]. The fire caused damages estimated at tens of millions of dollars. The gift was announced during the recent visit of Daewoo chairman Woo Choong Kim.

**Japanese & South Korean Premiers to visit**

On 4 August, Foreign Ministry spokeswoman Ho The Lan announced Japan's Prime Minister Tomiichi Murayama will visit Vietnam this month [see *Digest*, 22 Jul]. Lan also announced a separate official visit this month by South Korea's Prime Minister Lee Yung-dug. The dates for the visits were not given. Vietnam's Prime Minister Vo van Kiet paid visits to Tokyo and Seoul last year.

**Another ox found**

On 20 July, villagers captured a second specimen of the Vu Quang ox in the Vu Quang Nature Reserve, located 170 miles southwest of Hanoi. Announcement of the find was reported in the Hanoi's *Afternoon News* on 4 August. The Vu Quang ox is being kept by forestry officials in Ha Tinh province. The first Vu Quang ox found, which caused a scientific sensation when it was displayed in June, is being looked after by a forestry institute in Hanoi.

**US claims talks**

US and Vietnamese officials held working level talks on 1-2 August in Bangkok on the issues of Vietnamese frozen assets in the US and US nationals claims against Vietnam for property expropriated in 1975. According to the 4 August *Journal of Commerce*, Vietnamese sources said the two sides failed to reach an agreement.

**CAMBODIA****Khmer Rouge demand ransom**

Khmer Rouge guerrillas have said they will kill three western hostages unless a ransom of US\$46,000 in gold for each is paid. Jean Michel Braquet, 28, of France, David Wilson, 29, of Australia, and Mark Slater, 28, of Britain were captured in an attack on a train on 26 July [see *Digest*, 29 July]. A tape recorded message along with pictures of the three were released on 3 August. "I hope my family is informed and that someone does something for us," said Braquet. "We are working, conditions are a bit difficult, but it's OK. I hope somebody will do something for us."

However, negotiations with the rebels have been hampered by severe flooding and monsoon rains in the area where the hostages are being held. Cambodian Information Minister Ieng Mouly confirmed on 4 August that Wilson was sick but that the government had managed, through an intermediary, to send antibiotics, anti-malaria pills and other medicines and clothing to the hostages.

The rebels are also holding 11 Cambodians and three ethnic Vietnamese hostages. A Cambodian railway guard released by the rebels said that all the hostages had been "forced to work, hard labor like Pol Pot times," in the fields. He also said that it was impossible to escape from the Vine Mountain rebel camp where the prisoners are being held because the base is surrounded by mine fields. In a letter to nominal Khmer Rouge leader Khieu Samphan, King Norodom Sihanouk asked that the hostages be allowed to "return to their families [in order] to preserve Cambodia's international reputation."

**Thousands flee floods**

Floods in five central provinces have forced as many as 22,000 Cambodians to evacuate their homes. Some of the estimated 3,000 families who left their homes had to be rescued by helicopters, according to a government official. Others held on to large plastic water bottles until they reached higher ground. First Prime Minister Norodom Ranariddh inspected the damage in Kompong Speu province on 2 August and requested emergency food aid from international organizations. King Sihanouk responded by giving US\$10,000 to buy food. While there have been no reports of deaths, several people were injured when two bridges along National Route 4, linking Phnom Penh and Sihanoukville, were destroyed by flood waters.

**Coup leader in Thailand**

Prince Norodom Chakrapong, one of two suspected leaders of the failed July coup [see *Digest*, 8 July] arrived in Bangkok on 5 August to visit his wife, according to a senior Thai government official. "He is not applying for political exile here," said the official, "[he] will be leaving within the next couple days." A Cambodian embassy official in Thailand said his government did not object to the Prince being allowed into Thailand saying, "It is up to Thailand or any country to consider giving him a visa...He has every right to seek political asylum in any country he likes."

**Phnom Penh's red lights to be turned off**

Phnom Penh municipal authorities are planning to shut down the city's brothel industry. According to a 22 July decree, brothels have 30 days to close their doors once they receive official notification to do so. Mayor Chhim Seal Leng said the city government has the authority "to stop all activities of prostitution which affect national customs, public order and which destroy national society in the future." A British aid worker was critical of the decision saying, "The idea of closing everything down is absolutely ludicrous. The market for it is just going underground. To go this far will backfire and make it harder to work with brothel owners and prostitutes in term of HIV prevention."

**Japan to give aid**

On 1 August, Japan's Foreign Ministry announced an aid package for Cambodia totalling 8.27 billion yen (US\$83.54 million). The grants will support projects including upgrading Phnom Penh's electrical and water systems and road improvements along National Route 6A.

**Rwanda to receive Cambodian aid**

In a letter to the UN, Cambodian Foreign Minister Prince Norodom Sirivudh has pledged US\$10,000 for emergency relief to Rwanda. "We cannot be unmoved by the suffering of the Rwandan people and refugees," the letter stated. A government official said that because of Cambodia's tortured history they understand the problems facing Rwanda and appreciate the importance of international generosity.

**REGION****Ancient Chinese articles found in Paracels**

On 26 July, the *Chinese News Agency* reported on a major archeological find of ancient Chinese objects in the disputed Paracel islands. Items found during an archaeological trip from 9-19 July included coins from the West Han Dynasty (206 BC to AD 24), and earthenware from the Qin Dynasty (221 to 207 BC). The Paracels are claimed by China, Taiwan and Vietnam. In 1974, Chinese forces drove forces of the former Republic of (South) Vietnam off the islands.

**Mekong division scheme warning**

An official with the Lao National Mekong Committee has warned that Thailand's Kong-Chi-Mong water diversion scheme could sharply reduce water levels and harm countries downstream. The scheme, proposed by Thailand's Department of Energy Promotion and Development, would divert water from the Mekong near Nong Khai province into the Chi and Mun rivers for irrigation. The Lao official said, "The water diversion scheme will seriously affect Lao navigation [along the Mekong]." He also speculated that the "Mekong Delta in Vietnam will suffer saline intrusion in the reduction of suitable land for rice farming. Tonle Sap Lake in Cambodia will also lack seasonal water supply from the Mekong in the dry season." The official urged Thailand to comply with the Mekong Committee's general agreement, requiring prior consultation with other Mekong riparian countries before implementing water development projects.

**COMMENTARY**

The following commentary by Vietnam's Vice Foreign Minister Tran Quang Co was excerpted from the 4 August issue of the *Far Eastern Economic Review*:

"As we look at the post-Cold War world, we find ourselves faced with a picture full of contradictions. On the one hand, we see a globe divided by ethnic, nationalist, religious and factional conflict. On the other hand...the trend lines clearly lead towards increasing international cooperation and integration...

"Against this background, the issue of human rights has also assumed a global dimension....[I]t has become a component of foreign policy--not to mention a topic of debate within and among not only governments but a host of private organisations...

"In the best of all worlds, human rights would become a field for cooperation rather than a battleground of confrontation. But for this to happen, it is important to keep in mind that such rights are a product of human evolution and as such evolve with time, being neither absolute nor immutable. It is therefore strange that some of those who advocate human rights as a cornerstone of international relations pay so little regard to differences in stages of socio-economic development--and the ensuing differences in the perception of imperatives and the setting of national priorities. A starving country...will be far more concerned with feeding its people rather than the forms and methods of democracy...

"Human rights cannot be summed up merely as individual rights. Human rights also encompass the collective rights of communities and nations to self-determination; the right to

sovereign use of national natural resources, the right to development, the right to equality of status among nations.

"To some in the developed North, these collective rights might appear somewhat abstract and remote. But to nations that...are struggling to develop in an unfavourable and still unfair international environment, there is nothing remote about these aspirations at all...

"More interesting still is that the same rights and rules so often evoked for judging relations between governments and their people are by no means followed when it comes to relations between states. If democracy is indeed a worthy goal for regulating relations within a society...should it not also be followed among nations?...

"Inasmuch as human rights have become part of international life and dialogue, we need to anchor this dialogue firmly to sound principles that will ensure their sustainability: mutual understanding and respect, objectivity and non-politicisation, equal footing and the recognition that, as the Vienna Declaration put it, 'the protection and promotion of human rights and fundamental freedoms is the first responsibility of governments.' Only thus will we advance human rights throughout the world and avoid a new North-South Human Rights economic divide adding to the North-South Economic Divide."

**Post-script**

At a recent business seminar in Hanoi, Pham Chi Lan, Secretary-General of the Vietnamese Chamber of Commerce and Industry, was asked a question about Vietnamese living in a one party state. Ms. Lan replied, "If you ask the Vietnamese what should be the priority -- democracy, human rights or the economy -- the answer from the Vietnamese would be: it's the economy, stupid."

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