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TRADE/INVESTMENT

PetroVietnam takes over crude oil sales

On 20 September, PetroVietnam chairman Ho Si Thoang told a Singapore oil conference that PetroVietnam will take over responsibility for crude oil sales. The reorganization will remove Petroleum Import-Export Corp (Petchim), which currently sells Vietnam's crude, from the Ministry of Trade and make it a subsidiary of PetroVietnam. The oil sector is considered so vital to Vietnam's development that PetroVietnam reports directly to the prime minister. Observers said the reshuffle was likely a streamlining effort. Thoang said the decision does not affect Petrolimex, which imports and distributes most of the petroleum products in Vietnam.

US-Vietnam aviation talks

Vietnamese and US government officials met in Hanoi for preliminary talks about resuming commercial air services [see *Digest*, 22 Jul]. The US team included representatives of the US Department of Transportation (USDOT), the State Department, the Federal Aviation Administration (FAA) and immigration officials. An official of Vietnam's Civil Aviation Administration told *Reuters News Agency*, "The two sides expressed their wish to establish air contacts, exchanged views on air transport policies and matters like flight security, air security and aviation security in the two countries." Patrick Murphy, USDOT deputy assistant secretary for aviation and international affairs, said, "The most significant thing we learned is that both governments are very eager to have air service resumed." Murphy said FAA technicians probably will visit Vietnam in January or February to ensure that runways and security procedures at Vietnam's biggest airports meet international standards. Murphy added that the two sides could sign an air services agreement some time in 1995.

Vietnam updates

◆ **Industrial output rises** - On 22 September, *Vietnam News Agency* reported industrial output rose 12.2% in August over August 1993. Crude oil production increased 6.5%, cement output was up 2.8%, and big increases were reported in textiles, clothing and knitwear. Steel production, however, was down 6.9% over the period.

◆ **JAL schedules service** - Japan Airlines (JAL) announced on 21 September that it plans to start service between Osaka and HCMC on 16 November. JAL's proposal to Vietnam's Ministry of Transport calls for twice-weekly flights using a 218-seat DC-10. The flights will be the first regular Japan-Vietnam service since 1975.

◆ **AmCham members bullish on Vietnam** - A survey released 19 September, sponsored by the American Chamber of Commerce (AmCham) in Hong Kong, showed that American businesses there are bullish about investment prospects in Vietnam. Of the nearly 450 corporate representatives queried, 31% said they already were doing business in Vietnam and nearly half had plans to begin operations there within the next three years.

◆ **New Zealand to study phone service** - A New Zealand company, Consultel Associates Ltd., said on 21 September it would assist Vietnam with a study of rural telephone service requirements. It is the third consulting project Consultel has undertaken in Vietnam in the last 12 months. With a population of 71 million, Vietnam has only 360,000 telephones. Fewer than 140,000 of those are in rural areas, where almost 50 million people live. The government has set targets of 1% telephone penetration by 1995 and 3% by the year 2000.

◆ **Korean appliances** - Samsung Electronics of South Korea has formed a joint venture partnership with the Trade Import Export Electronics Co. in HCMC to build televisions, refrigerators and other home appliances. The joint venture company, Samsung Vina Electronics Co., plans to assemble 400,000 color television sets, 100,000 refrigerators, and 1 million stereo speakers each year. Later it plans to produce videocassette recorders, air conditioners, washing machines and telephones.

◆ **Taiwan to build Ha Long Bay hotel** - On 20 September the *Vietnam News Agency* reported that Taiwan's Mai Lei company will build a US\$39 million hotel overlooking Ha Long Bay. Mai Lei will contribute 75% of the capital in a joint venture with the local Hon Gai Export-Import Co. Ha Long Bay is a favorite tourist draw but has too few hotel rooms to meet demand.

Vietnam agriculture updates

◆ **Rubber acreage to triple** - On 16 September, *Nhan Dan* reported Prime Minister Vo van Kiet has set targets to double the amount of land in rubber cultivation from 250,000 to 500,000 hectares by the year 2000, and to have 700,000 hectares under cultivation by 2005. Kiet said the rubber processing industry needed to upgrade and modernize its technology and build new factories. Vietnam produced about 76,000 tons of rubber last year, up from 68,000 in 1992, and this year's projected output is 80,000 tons. The World Bank has given a US\$96 million credit for agricultural rehabilitation, including reviving nine state rubber plantations covering 160,000 hectares in the southeast. The Vietnam Rubber Corp. plans to seek more US investment during a Vietnamese trade fair in San Francisco, CA., beginning on 29 September.



◆ **Floods delay Mekong Delta rice deliveries** - Floods in the Mekong Delta have destroyed some of Vietnam's rice crop and hindered harvesting, resulting in higher prices and delays in deliveries to the port of Saigon. On 19 September, *Reuters News Agency* reported that about 20 foreign ships were waiting to load rice, and some had been in port up to a month. The floods caused domestic prices to increase from 1,950 dong (18 US cents) per kg of 5% broken rice in July to 2,400 dong (22 US cents).

◆ **Malaysian flour venture** - Malaysia's Malayan Flour Mills Bhd. has been approved for a US\$15 million joint venture with state-owned Vietnam Central Food Corp. to produce wheat flour at Cai Lan Port in northern Vietnam. The joint-venture company, Vimaflour Ltd., will begin production in 1998 with an initial capacity of 400 tons a day.

Cambodia updates

◆ **Enterprise seismic survey launched** - On 23 September, Britain's Enterprise Oil launched an extensive 2-month seismic survey off Cambodia's southern coast. The survey follows a recent successful test well which yielded 4.7 million cubic feet of gas and 180 barrels per day of light condensate [see *Digest*, 29 Apr]. Enterprise exploration director Iain Patterson said his company had contracted with US-owned Western Geophysical to begin an 800 square mile survey, using the survey ship *Western Atlas*, now enroute from Vietnam. The *Western Atlas* carries the fourth largest seismic data processing center in the world. Enterprise has invested US\$30 million in exploration and drill tests so far this year. "In a global context to have the first three wells . . . being successful in terms of finding oil and gas and finding hydrocarbons really is a remarkable record," Patterson said, adding there were at least 12 dry wells in the North Sea before any oil or gas was found.

◆ **Royal Hotel restoration** - Singapore property developer DBS Land Co. signed a memorandum of understanding with the government of Cambodia to undertake a US\$25 million restoration of the historic Royal Hotel in Phnom Penh. DBS Land, which owns and operates the Raffles luxury hotel in Singapore, plans to begin renovating the 1920's-era building early next year, and to reopen the hotel two and a half years later. The hotel will have a five-star rating, with 209 rooms and a 127-guest ballroom. Under the agreement, DBS Land will lease the land and buildings for 60 years from the Ministry of Tourism. Singapore-based Raffles International Ltd., a DBS Land subsidiary, will manage the property.

Laos updates

◆ **Thai stone quarry** - Thailand's Aokam Thai Plc. will form a joint venture in Laos to mine granite and limestone, beginning early in 1995. Aokam will have a 40% share of the joint venture with Siam Laos Development Co Ltd., while Thai and Lao businessmen will equally divide the remaining shares. Registered capital in the venture is US\$1 million.

◆ **Thai business delegation** - A delegation of Thai business representatives and members of the Thai Board of Investment (BOI) will visit Laos 27-30 September to seek opportunities for expanded trade and investment in Laos. BOI Secretary-General Vanee Lertdamrikarn said the group will visit Savannakhet and Champasak provinces, areas with significant natural resources and farming potential.

VIETNAM

Financial updates

◆ **Privatization scheme opens shares to foreigners** - Vietnam plans to allow foreign residents, businesses and overseas Vietnamese to purchase bonds and shares issued by state-owned enterprises. A government economist told *Reuters News Agency* that the planned sale of shares in state firms would amount to issuing new capital that would be privately held, diluting ownership by the state. Government bonds, and later company shares, are expected to be tradeable on Vietnam's first stock exchange, which is expected to open next year. The purchase of bonds and shares would be in dong to further encourage a reduction in the flow of US dollars in business and private transactions.

◆ **Personal checks** - On 20 September, an official report announced that the State Bank will issue Vietnam's first personal checks this month [see *Digest*, 1 Jul]. The move will reduce consumer dependence on large amounts of cash for purchases, and free up significant funds for investment purposes. Economists estimate domestic cash holdings at approximately US\$2 billion.

◆ **Automatic teller** - On 23 September, *Saigon Giai Phong* reported that Vietnam's first automatic cash-withdrawal machine recently went into operation at the Vietnam Foreign Trade Bank (Vietcombank) in HCMC.

◆ **Bonds to be issued** - *Vietnam News* reported on 6 October, the Vietnam Investment & Development Bank plans to issue US\$14.1 million in bonds, with the money from the bond sales going to finance cement factories.

Aid updates

◆ **World Bank** - The World Bank is planning to lend an additional US\$400 million for "quick aid" projects throughout Vietnam. The additional aid is aimed at circumventing delays in the flow of the US\$1.86 billion of aid pledged at the donor conference in Paris last November. New targets include local irrigation, energy/electricity and banking, where it is hoped funding will avoid the bureaucracy currently pinning down several other Bank projects. While visiting Hanoi, World Bank Vice-President Guatam Kaji said on 16 September that the delays in aid are not due to lender hesitation, but rather a cautionary, centralized system in Vietnam. He remains highly confident about continued lender support and Vietnam's enormous potential, citing its high growth rate and its control of inflation as indicators of continued development potential.

◆ **Computerization** - On 12 September, *Vietnam News Agency* reported the World Bank will fund a project to help computerize accounting in the banking system. A State Bank official said Vietnam expected low-interest World Bank loans of between US\$50 - \$80 million for the project, repayable over 40 years with a 10-year grace period. World Bank officials are expected in Vietnam later in September to draft the project, and bids will be sought next year.

◆ **ADB** - On 21 September the Asian Development Bank announced a US\$600,000 grant to Vietnam for use in the environmental planning sector. The funds will be spent on upgrading the government's evaluation agencies.



◆ **Germany (nein)** - On 19 September Germany announced it will freeze all development assistance and export credit guarantees to Vietnam [see *Digest*, 15 Jul]. The decision came in response to the impasse in negotiations between Bonn and Hanoi over the future of 40,000 Vietnamese living in Germany, most of whom were under contracts with former East Germany and are now seeking asylum. Germany lifted its aid embargo in 1990 after Vietnam pulled troops out of Cambodia. Opposition to the decision comes from German development economists who view Vietnam as the "fifth Tiger" and cite rising economic investment opportunities. Vietnam is also seen as a potential market for German exports to aid its own economy.

Eight killed by typhoon

From 13-16 September, Typhoon Luke battered the coast of northern Vietnam. According to *Nhan Dan* newspaper, eight people died and nine are missing. Seven of the eight were fisherman in Thanh Hoa province, where the storm wreaked the most havoc. An estimated 10,000 homes were damaged or destroyed, irrigation canals and dikes were damaged, with the destruction extending into Nhan Binh and Nam Ha provinces as well. The storm flooded 250,000 acres of Vietnam's rice paddy, destroying 82,500 acres in Thanh Hoa.

Francais, s'ils vous plait

On 14 September, the *Vietnam News Agency (VNA)* published a trial edition of *Le Courier du Vietnam*, the country's newest French-language newspaper. VNA anticipates daily publication to begin by the end of September. The four-page edition carried stories ranging from the situation in Haiti to a local children's festival.

The race between English and French for official "main foreign language status" was piqued last month by Prime Minister Vo van Kiet's encouragement of foreign language proficiency, preferably English, among his senior officials [see *Digest*, 26 Aug]. *Le Courier du Vietnam* will compete with *Vietnam News*, the existing English daily, and evens up the foreign language media race: weekly papers and nightly television news bulletins currently run in both languages.

CAMBODIA

Military team lauds reform plan

The head of a four-man US military team praised Cambodia's plan to restructure the military. "It's clearly a thought-through, multi-phased, very detailed plan by a professional force," said Brigadier General Mark Hamilton. Hamilton's delegation arrived in Phnom Penh on 17 September [see *Digest* 16 Sep], assessed the proposed military reforms, and met with senior government and military officials. Since June, the US has provided about US\$1 million in non-lethal military assistance. "I have no idea what it [the assessment] will ultimately lead to, but I'm certain my political bosses will make those decisions shortly," he said. Hamilton added that he had not "heard any speculation" on whether the US would consider providing Cambodia with lethal military aid.

In a related development, a 15-member US military delegation ended its training mission on 23 September. US

Ambassador Charles Twining addressed a crowd of over 500 soldiers, government officials and other dignitaries before the team departed, saying he hoped the mission "marks a continuing relationship between the military forces of our two countries." Second Prime Minister Hun Sen echoed those sentiments, "I know the US not only finishes this first course, but will continue in the future." In addition to demining activities, the US team taught the Cambodians basic first aid and how to use and maintain road building equipment provided by the US [see *Digests* 22 and 15 Jul]. A US embassy official confirmed that a new US military team will arrive in Phnom Penh in October for another 10-week training program and that demining assistance would continue until 1995.

Sihanouk wants law changed

Responding to a letter from UN Secretary General Boutros Boutros-Ghali, King Norodom Sihanouk stated he had "already officially asked the National Assembly of the Kingdom of Cambodia to review the text of the law on immigration and immigrants." Sihanouk said he has asked the assembly to "modify certain paragraphs [and to guarantee] respect of International Law and the Declaration of the Rights of Man and fairness toward the Vietnamese residents of Cambodia." The controversial immigration law has come under severe criticism since it passed the National Assembly in August for its failure to define Cambodian citizenship and its lack of protection for minorities, especially ethnic Vietnamese who reside in Cambodia [see *Digests*, 26 and 19 Aug]. In his 13 September letter to Sihanouk, Boutros-Ghali said he had written Cambodia's two prime ministers requesting them to hold talks with Vietnam over the law. Vietnam, which has filed a formal complaint to the UN, has also asked Cambodia to meet and discuss the law.

Erratum

The 9 September issue the *Digest* incorrectly translated the name of the Khmer-language newspaper *Samleng Yu Vachun*. It should have read "Voice of the Youth."

US POLICY

Last American POW declared dead

On 20 September, Air Force Col. Charles E. Shelton, the last officially designated Vietnam-era POW, was declared killed in action by the Air Force at the request of his family. Shelton was shot down over Laos on 29 April 1965, and was reported to have been captured. In 1984, his POW status was officially retained as a symbol of U.S. commitment to obtain the fullest possible accounting of Americans missing in southeast Asia. No evidence has been found to show he is alive. At the request of Shelton's five children, the Air Force changed Shelton's status 29 years after he was shot down. "I personally cannot imagine him being alive still," son John Shelton said. "The family needs some closure on the whole thing. We want to put it behind us. It's shaped our lives, and we want to take control and shape our own lives." In 1990, Shelton's wife Dorothy committed suicide. She was buried at Arlington National Cemetery near Washington, DC, where a memorial service for Col. Shelton will be held at 11:00 a.m. on 4 October.



REFUGEES

Forced repatriation resumes

On 22-23 September, Hong Kong resumed its Orderly Repatriation Program (ORP) flights of Vietnamese boat people after a five month hiatus, but not without incident. ORP is designed to send back "non objectors" who do not volunteer to return but do not object if they are sent back. The 66 persons returned on two flights of 33 each, the first ORP flights since the forced repatriation schedule was interrupted by riots in Whitehead detention center last April [See *Digest*, 15 Apr].

Before departing, the returnees had to be transferred from the High Island detention center to Victoria Prison for departure. The transfer was delayed for two days due to demonstrations, including a widespread hunger strike and suicide threats. Police used tear gas to disperse the crowd, and physically removed 11 men from a rooftop where they had been demonstrating. According to the Hong Kong government, 142 Vietnamese and 46 officers were injured.

On the eve of departure, two men slashed their wrists and had to be treated at a hospital. Hong Kong's Deputy Secretary for Security Ken Woodhouse said they were carried on board the flight. One of the men, interviewed after arrival in Hanoi, said he did it "to protest against Hong Kong forcing us to come back to Vietnam."

Vietnam refused to accept two families (14 people), stating they landed in China before going to Hong Kong. A Vietnamese Foreign Ministry spokesperson said the group was rejected because "these people do not have Vietnamese nationality."

REGION

Downward Mobil-ity

Following a 20 September speech at the Asia-Pacific Petroleum conference in Singapore, PetroVietnam chairman Ho Si Thoang told reporters Mobil has begun drilling operations in the *Thanh Long* (Blue Dragon) offshore oil field. "They are drilling now. They started in August."

The *Thanh Long* oil field is in a disputed area of the South China (Eastern) Sea, near an area China awarded to the US firm Crestone. One analyst told *Reuters News Agency*, "Blue Dragon is within the territorial limits claimed by China, so a big oil or gas find by Vietnam would really raise the stakes. . . If Beijing acquiesces, it [the current drilling] will back Vietnam's claims and Vietnam may even be encouraged to push the envelope [boundaries] a bit further. . . Beijing really can't move against a US oil company, so all it can do is step up work on its side or decide to cut its losses and consider joint development."

On 20 September, Malaysia's *Bernama* news agency reported the Commander-in-Chief of the US Pacific Command, Admiral Richard Macke, said the US would not take sides on any dispute over the Spratly Islands. Macke, on a 3-day official visit to Kuala Lumpur, said, "We want to see this solved by arbitration and the countries involved. . . We do not, nor will we, support any territorial claims."



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