



Indochina

Digest

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TRADE/INVESTMENT

US - Vietnam updates

◆ **Ford's cars** - On 3 October, Ford Motor Co. announced plans to open showrooms and service facilities in Hanoi and HCMC, and sell seven of its models: Mustang, Crown Victoria, Taurus, Windstar, and Econoline Van, from North America, and the Transit van and Escort car models, manufactured in Europe. The announcement was made in conjunction with the Auto Vietnam '94 show in HCMC, where five of the seven models were displayed. A Ford official said, "Ford recognizes Vietnam as a very important market in Asia. We are confident of the growth prospects for Vietnam and its vehicle industry and want to be here for the long term." According to *United Press International*, Ford spokesman Ken Brown said Ford hopes to sell 1,000 vehicles in its first year, securing 10% of Vietnam's market, where about 10,000 vehicles are sold each year. Vietnam's import tax for new cars is 200%, while the tax on cars assembled in Vietnam is 40% [see *Digest*, 17 Jun].

◆ **Exxon's lubricants** - On 3 October, Exxon issued a statement in Hanoi announcing its return to Vietnam to sell petroleum products. The statement said, "With more than two million motorcycles and a growing vehicle population, we foresee an increasing demand for high quality lubricating oils and other petroleum products, such as diesel oils and asphalt." Exxon has representative offices in Hanoi and HCMC, and has appointed Vietnam's South Transport Warehousing Company (SOTRANS) as distributor to market its lubricants and greases. Exxon's Esso group of companies is already a significant supplier of asphalt and automotive diesel oil to Vietnam. A spokesman said Exxon is not bidding for Vietnam's first oil refinery but is considering plans to operate service stations, as it did before 1975.

◆ **Motorola's phones** - On 3 October, Motorola Inc. said its Cellular Subscriber Group will supply cellular telephones to Vietnam after being awarded a contract from Vietnam Mobile Services (VMS). Motorola's telephones use Global System for Mobile Communications (GSM) technology. VMS already operates GSM systems in Hanoi, with a 2,000 phone capacity, and in HCMC, with a 6,400 phone capacity.

◆ **Parsons' environmental planning** - On 4 October, the California-based Parsons Corp. Inc. announced it won a US\$500,000 Asian Development Bank (ADB) contract to develop an environmental improvement plan in HCMC. After evaluating HCMC's current and planned development, including land use, water quality, solid waste, hazardous and toxic waste, and drainage, and public health in low-cost housing areas, Parsons will make recommendations for the planning and implementing of environmental programs.

◆ **Ellicott's dredgers** - On 5 October, *Vietnam News* reported Vietnam signed a US\$10 million contract to purchase two harbor dredgers from Ellicott Machine Corp. International of Maryland. The newspaper said the contract with the state-owned Machinoimport was "the first major exports of US made capital equipment since the lifting of the US embargo in February." The dredgers, to be delivered to the Bach Dang Shipyard in Haiphong in late 1995, will enable Vietnam to receive ships with greater than 30,000 deadweight tonnage (DWT), currently restricted to 10,000 DWT ships due to channel limitations.

◆ **IDB's earth station** - On 5 October, the US firm IDB Systems, of IDB Communications Group Inc, in cooperation with Japan's Mitsui & Co. Ltd., signed a US\$3 million contract with Australia's Telstra Corp. to design, construct and install an Intelsat Standard A earth station in Song Be province. The station will be operational in early 1995.

Vietnam third quarter statistics

The State Committee for Cooperation and Investment (SCCI) and the Government Statistics Office have released statistics pertaining to Vietnam's economic performance during the first nine months of 1994.

◆ **Investment** - Thus far in 1994, Hong Kong is the leading investor, with 39 projects worth US\$441 million, followed by Taiwan, with 42 projects worth US\$269 million, and Singapore, with 22 projects worth US\$250 million. Japan was 4th (18 projects worth US\$170 million), Switzerland 5th (5 projects worth US\$235 million), and the US 6th (13 projects worth US\$165 million). In terms of total investment since 1988, when Vietnam opened its economy to foreign investment, Taiwan is the largest investor, with US\$1.8 billion in projects, followed by Hong Kong and South Korea. Total investments exceed US\$10 billion.

◆ **Trade deficit** - The trade deficit for January through September reached US\$400 million, which is US\$100 million over the whole of 1993. Imports for the third quarter were US\$2.9 billion while exports were US\$2.5 billion. While Vietnam's main export commodities (rice, coffee, rubber and crude oil) continued to show healthy export levels, large increases in imports of cement and sugar contributed to the deficit. Vietnam imported 981,000 tons of cement this year, as opposed to only 134,000 tons in all of 1993, to fuel the construction boom, and imported 128,000 tons of sugar versus 16,300 tons in 1993.

◆ **Oil** - Crude oil production reached 5.13 million tons at the end of September, 15% above the respective 1993 level. Vietnam's 1994 production goal is 7.1 million tons.

◆ **Rubber** - Vietnam exported 7,000 tons of rubber in September alone, bringing third quarter levels to 66,900 tons. Vietnam exported 96,700 tons in 1993.



◆ **Coffee** - Vietnam exported 109,000 tons of coffee in the first nine months of 1994. It exported 122,700 tons in 1993, and expects to export 130,000 tons this year.

◆ **Rice** - During September, Vietnam exported 200,000 tons of rice, bringing the 1994 total to 1.5 million tons. Rice exports reached 1.7 million tons last year. Despite setbacks caused by flooding [see *Digests*, 23 & 16 Sep] Vietnam should reach its rice export target of 2.0 million tons for 1994.

Vietnam updates

◆ **Mitsui in HCMC port** - Mitorient Enterprise Pte Ltd, the joint venture between Mitsui & Co Ltd. and Vietnam's Neptune Orient Lines Ltd., has won the investment license for HCMC's first private container port. The US\$50 million, 21 hectare port on the Saigon River will be developed and operated by First Logistics Development Corp., of which Mitorient will have 55% ownership. Construction of the port, which will be able to accommodate three container ships at once, is estimated at US\$25 million. Related infrastructure facilities will be built in the second phase of the project.

◆ **Taiwan sugar plant** - On 4 October, *Vietnam News Agency* (VNA) reported the licensing of a joint venture between Thanh Hoa Sugar Company and four Taiwanese companies for the construction and management of the largest sugar mill in Vietnam [see *Digest*, 8 Apr]. The Taiwanese partners, Taiwan Sugar Corp., King Car Food Industrial Co, I-Mai Foods and F- Mai Co., together hold 75% of the US\$66 million venture. Construction of the facility will begin in 1997 in Thanh Hoa province. Capacity is estimated at 90,000 tons of sugar and 35,000 tons of molasses per year.

◆ **South Korean steel pipe** - On 1 October, Vietnam inaugurated its first steel pipe factory in Haiphong. The factory is a joint venture with South Korea's Pusan Steel Pipe Corp. and Pohang Iron & Steel Co. Ltd. The plant has an annual capacity of 45,000 tons per year. Vietnam expects to produce 290,000 tons of steel this year, against a demand of 720,000 tons. Output in 1995 is expected to reach 370,000 tons against an 850,000-ton demand.

◆ **Steeling for reductions** - *Vietnam News* reported lay offs and production cuts at the state steel firm, Thai Nguyen Iron and Steel Complex (Tisco) in Hanoi. 1,500 workers have temporarily lost their jobs, and salaries were cut by 25-50%. Officials blame the situation on excessive imports that led to a US\$1.3 million glut by summer 1994. [see *Digest*, 26 Aug.]

VIETNAM

Good news, bad news

Cao Sy Kiem, Governor of the State Bank of Vietnam, told the annual meeting of the IMF/World Bank in Madrid that economic growth this year will at least match last year's rate of 8%, and export earnings will rise to US\$3.5 billion from US\$3.0 billion in 1993. However, the inflation rate of 9.9% for the first nine months of 1994 makes it difficult for the government to hold inflation to less than 10% for the year.

More World Bank support

On 30 September, the World Bank's vice-president for East Asia, Gautam Kaji, said he would ask the bank's board to approve a US\$100 million loan for Vietnam. Kaji said that on a recent visit he was impressed by the government's handling of the economy. "The thing that strikes me most is their readiness to learn and adapt," he told *United Press International*. "It was a very reassuring visit. I was very impressed." The interest-free loan, which would not be repayable for 10 years, would be in addition to the US\$400 million Vietnam has already received from the World Bank since November 1993. "It can be taken as a sign of approval at the way the government is running the economy," said another World Bank official.

Germans aid threat (cont.)

On 30 September, a German government spokesman clarified that Germany had not cut off aid to Vietnam to protest Vietnam's refusal to take back 40,000 Vietnamese living illegally in Germany [see *Digests*, 30 & 23 Sep]. "We have frozen export credit guarantees and talks over future economic development aid," he said, adding that current aid projects had not been interrupted. He said he was optimistic that an agreement would be reached by the end of the year.

Border trade with China to be regulated

Vietnam's Deputy Prime Minister Phan van Khai said Vietnam and China have reached an understanding that will limit unregulated trade across the border of the two countries. On 3 October, *Saigon Newsreader* reported that the current activity of thousands of small traders who sell hundreds of millions dollars worth of products across the border, but pay no duties or taxes, will be regulated under long-term agreements that would confine trade to major Chinese and Vietnamese companies and the two governments. Khai said the Vietnamese could export rice, coal, rubber, crude oil, minerals, farm commodities and fishery products, while importing Chinese chemicals, machinery and raw materials. During Khai's 10-day trip to China, he met with Premier Li Peng, who told him China wanted to develop a lasting friendship between the two countries. China agreed to give Vietnam a "loan fund" of US\$170 million to upgrade the Thai Nguyen Steel firm in northern Vietnam.

Emergency flood relief sought

Vietnam is seeking emergency international aid for an estimated 500,000 people affected by recent floods in the Mekong Delta and in the north-central coastal area, *Reuters News Agency* reported on 7 October. The floods have killed at least 94 people, submerged 173,600 houses as well as 850 schools and 340 communal health stations, according to Vietnam Red Cross vice president Le Cong Tam. He also said four provinces in the delta have lost more than 50% of their summer/autumn rice crop. As flood waters continue to rise, losses are already estimated at 580 billion dong (US\$53 million). The government has announced a 150 billion dong (US\$14 million) loan program for the stricken provinces and ordered provinces to make funds available to provide interest-free loans for small boats and fishing nets.



Oil spill pollutes Saigon River

On 4 October, *Saigon Giai Phong* reported a Singaporean oil tanker rammied a pier near HCMC and spilled about 600 tons of diesel fuel into the Saigon River, polluting the environment and threatening fish farmers in the area. It was the second major oil spill near HCMC in five months [see *Digest*, 13 May], and may prompt calls for tighter shipping safety and better means for controlling such spills, *Vietnam News Agency* said. However, on 6 October, the ship's owner, Neptune Orient shipping lines, stated that the tanker spilled 1,000 tons of light gas oil, which the company said is a clean petroleum product. "Being light gas oil, the cargo evaporated quickly," a company spokesman said. "Based on our investigations so far, there is no apparent pollution." The shipping company has sent a team of officials to Vietnam to conduct further investigations. No injuries were sustained by any crew member or shore personnel.

US newspaper opens bureau

Vietnam has granted permission to the *San Jose* (California) *Mercury News* to open its Hanoi bureau, the first US newspaper bureau in Vietnam since 1975. The newspaper joins the *Associated Press* and 21 other foreign news organizations with offices in Hanoi. Kristin Huckshorn, who has been reporting from Vietnam since April, has been assigned to the new bureau.

CAMBODIA

Critical cable leaked

The final report of the former Australian ambassador to Cambodia, highly critical of the Cambodian government, army and King Norodom Sihanouk, was leaked by an Australian newspaper on 5 October. The *Sydney Morning Herald* published details of the secret cable written by John Holloway before he stepped down from his post as ambassador this past June to become a special advisor to Cambodian Foreign Minister Norodom Sirivudh. Holloway criticized the government saying, "Corruption at every level of society has again become a way of life. Every Business deal must have a cut for the relevant minister (or prime minister) and every transaction involves a percentage for the relevant official."

Holloway expressed concern that problems in the army were causing many civilians to become supporters of the Khmer Rouge. "As government forces move through the countryside, unpaid and out of control, looting and committing a wide range of crimes, The Khmer Rouge get more potential support. Rural villagers are mainly more scared of government forces than those of the Khmer Rouge," Holloway wrote. However, he also recommended that Australia provide military training for the army saying, "assistance to the military, particularly in the training area could be extremely valuable in eventually clearing up one of the outstanding running sores of the region."

Some of Holloway's harshest criticism was directed at the "disruptive antics" of King Sihanouk, whom he called "erratic and emotional." Holloway wrote the king was, "still pathetically pursuing power although riddled with cancer, he has belittled the government, tried to cause splits in the

ruling groups and thrown aside the government strategy of outlawing the Khmer Rouge."

Military reforms begun

Cambodia has begun to implement its highly regarded plan to reform its military. The process began, in late September, by reducing the number of generals from over 1,900 to 600. The goal is to have only 91 generals. Co-Prime Ministers Norodom Ranariddh and Hun Sen set the example by each giving up their fifth star. The plan calls for the Royal Armed Forces to reduce its forces to 70,000 troops consisting of six divisions, one brigade of Special Forces and four battalions trained in counter-insurgency.

Some military analysts blame part of the military's problem on the combining of three factions, which had been former enemies, after the UN elections and the failure of the factions to overcome ideological their differences. According to the reform plan "combat strategy, coordination and workstyle have not been satisfactorily adapted to the new situation." The plan also calls for a restructuring of part of the army's role into one of promoting and assisting in development in specialized development zones. The Cambodian government has been given high marks for the reform plan. US Deputy Assistant Secretary of State Peter Tomsen recently said he was "impressed by the government's plans for military reforms, which are structurally sound." Also a recent US military delegation to Phnom Penh said the plan was very thorough and detailed [see *Digests*, 23 & 16 Sep].

Stop laying landmines

On 2 October King Sihanouk issued a statement urging both the government military and the Khmer Rouge to stop laying landmines and calling for a world-wide ban on the weapon. "I ask that the use and placement of land mines, anti-personnel and other mines, be very severely and definitely condemned, and that the users, those who lay the mines, and the mines themselves be outlawed," said the king in his statement. The king also requested that foreign governments provide support and technical assistance to help in demining the "worst-mined country in the world."

In a related development, in his address before the UN General Assembly on 26 September, US President Bill Clinton called on the international community to join with the US and "conclude an agreement" which would hopefully lead to "the eventual elimination of...85 million anti-personnel mines, one for every 50 people on the face of the earth." A UN conference to review a 1983 convention on landmines is scheduled for 1995.

Rising riel

On 2 October, the National Bank of Cambodia reported an appreciation of the *riel* during the first half of 1994. The government has attributed the rise in value to strengthened confidence in the leadership and economic reform policies. Specifically, "dollar auctions" were implemented late last year after a World Bank loan was approved, and the riel strengthened as a result. In 1993 the *riel* dipped as low as 4,000 to the US dollar, where in 1994 it has been steady in the 2,520 - 2,596 range. Over the last six months, the rate of inflation decreased by over one-third, from 31.0% in December 1993 to 18.8% in June 1994.



REFUGEES

EC credit program to end

On 27 September, representatives of the European Community (EC) held a press conference in Hanoi to announce the finalization of the EC credit program to assist the repatriation of Vietnamese boat people. The program, which provided loans to returnees for housing construction, job training and job guidance, will end on 30 October. During the past three years, the EC credit fund has provided about 48,300 loans, each worth US\$870, with US\$42.1 million already dispersed. Under the repatriation program, Vietnam has taken back 65,155 boat people, while 52,865 remain in various camps in the Asian region.

US POLICY

Clinton: "tangible progress" ... but...

In a 5 October report to the US Congress on progress on the MIA issue since the lifting of the US embargo last February, required by Section 522 of the Foreign Relations Authorization Act, President Clinton said Vietnam has made "tangible progress," but more cooperation is needed. Listed among "the most significant aspects" of progress were: the reduction in the number of individuals involved in discrepancy cases from 73 to 55; increased cooperation on Joint Field Activities, including access to sensitive military areas in Cam Ranh Bay and Haiphong; agreement to establish a special documents team in the Ministry of Interior and possibly other ministries; increase in publicity for the amnesty program, encouraging private citizens to

come forward with remains; opening a HCMC office to recover remains in the south; and "a general commitment not only to increase cooperation on joint activities, but to take additional unilateral steps as well..."

Clinton continued, "Nevertheless, despite this tangible progress, I believe there are additional steps Vietnam could take to help achieve the fullest possible accounting ..." Further cooperation outlined by Clinton included: providing a report on the 84 special remains cases; providing additional documents; providing cooperation with Laos for the next trilateral investigation; continuing cooperation on resolving the remaining discrepancy cases; and, "completion of the last pending live sighting case." Clinton concluded, stating "I am steadfast in my determination to achieve the fullest possible accounting and, to reiterate my word on lifting the embargo, future improvement in our relationship with Vietnam will be contingent upon 'more progress, more cooperation, and more answers.'"

Congressional resolutions

On 5 October, the US House of Representatives approved, by voice vote, two non-binding "sense of the Congress" resolutions relating to US policy with Vietnam. The first, H. Con. Res. 278, states the sense of Congress that "progress towards the 'fullest possible accounting' for the Americans missing and unaccounted for remains central to our Nation's foreign policy toward Vietnam," and that the primary function of the US liaison office in Hanoi should be to work toward achieving "the fullest possible accounting." The second, H. Con. Res. 216, states the sense of the Congress that the US State Department should seek the release of all non-violent political prisoners in its formal human rights dialogue with Vietnam, and included other human rights concerns. Both resolutions had been approved by the Senate.

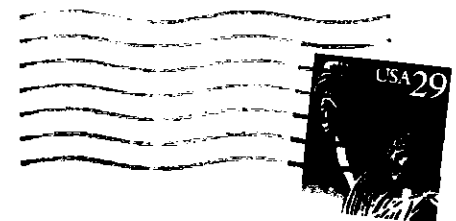
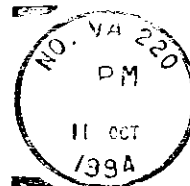
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