



Indochina

Digest

Vol. VII

21 October 1994

No.42

TRADE/INVESTMENT

Vietnam energy updates

- ◆ **Big bear gushes** - On 14 October, Australia's BHP Petroleum began oil production at the *Dai Hung* (Big Bear) offshore oilfield, about 250 km (150 miles) southeast of Vung Tau. Initially, the field will produce oil from four wells which will flow by flexible line to a floating production facility, *Dai Hung 1*, to be processed. The crude will then flow two kilometers to a calm buoy, and onto the 230,000 DWT (deadweight ton) tanker *Hikari Orient*, which will store and transfer the oil to other tankers for shipment to offshore markets. While BHP gave no indication how much the wells will produce, the company said earlier it expected an initial flow rate of 25,000 to 35,000 barrels per day.
- ◆ **Lehman Bros. to arrange gas loan** - On 16 October, *Vietnam Investment Review* reported PetroVietnam asked the US investment bank, Lehman Brothers, to arrange a US\$100 million medium-term loan to enable PetroVietnam to pay back the government for a natural gas pipeline. South Korea's Hyundai Heavy Industries completed the 80-mile pipeline last month, bringing in gas from the offshore *Bach Ho* (White Tiger) oilfield. Lehman's representative in Vietnam, Ashta International, said it expects the financing will be finalized by year-end. Ashta said Lehman will have "to educate banks on why Vietnam is a good risk." This will be Vietnam's second commercial loan, following a US\$100 million loan by the State Bank from a consortium led by two Thai Banks earlier this year [see *Digest*, 10 Jun].
- ◆ **Swedish electricity grant** - On 19 October, Sweden signed an agreement to grant US\$27 million to the Ministry of Energy to improve Vietnam's power distribution. The grant will be disbursed over four years and will include training, upgrading the national power grid, and spare parts for gas turbine generators.
- ◆ **Taiwan LPG plant** - Taiwan's Ching Fong Group signed a joint venture agreement with Taiwan's Chinese Petroleum Corp. and a local firm to build a US\$11 million liquified petroleum gas (LPG) plant in Haiphong.
- ◆ **Hydropower investment sought** - On 18 October, Deputy Director of the State Planning Committee Tran Tuan Anh told the World Infrastructure Forum in Jakarta that Vietnam is seeking foreign investment for the Ham Thuan and Da Mi hydroelectric power projects on the Dong Nai river, 150 km northeast of HCMC. A feasibility study by a Japanese firm estimates construction costs to be around 50.6 billion yen (US\$504 million).

Vietnam updates

- ◆ **Chrysler meets Kiet** - On 18 October, the president of US car-manufacturer Chrysler Corporation John Eaton, met with Prime Minister Vo van Kiet in Hanoi. Kiet told Eaton he hoped Chrysler and other US companies "would take advantage of the opportunities reserved for them by the Vietnamese side to make up for their lost time due to the US embargo." Chrysler plans to begin importing cars by the end of 1994 and hopes to be manufacturing cars in Vietnam within the next five years.
- ◆ **Rice target attainable** - Vietnam is expected to meet its rice export target of two million tons for 1994 despite substantial losses due to flooding in the Mekong Delta this season [see *Digest*, 14 Oct]. Government officials denied reports that rice exports were stopped to insure adequate supplies for flood victims. However, the Ministry of Agriculture has suggested extending delivery times in October to avoid creating tensions in the domestic market and to keep rice prices stable.
- ◆ **Coffee surcharge** - A 20% tax on coffee exports initiated on 1 September to stabilize prices has slowed trade by local exporters, according to international traders [see *Digest*, 2 Sep]. Le Van Ngoc of Centrimex, a coffee exporter in Nha Trang said, "Traders are actually finding it difficult to calculate buying and selling prices...[as] the world's coffee price is extremely volatile." Others suggest that local traders are invoicing lower export prices to evade the tax.
- ◆ **Maryland phones** - On 18 October, the US firm Hughes Network System Inc., based in Germantown, Maryland, signed a letter of intent in Hanoi to sell Vietnam wireless telephones totalling at least US\$100 million. Hughes plans to supply HCMC with up to 120,000 digital phone lines, and expects to sign additional agreements with the HCMC telephone authority and Japan's Kanematsu Corp., which is providing financing. Hughes hopes to finalize the sale next month and install the system by the end of 1995.
- ◆ **ATM bids** - On 19 October, *Vietnam News* reported seven foreign companies are competing to supply the State Bank with automatic teller machines (ATMs), which the bank hopes to install by April 1995. An official for the US firm Digital Equipment estimates the bank will order at least 40 ATMs in the project's first phase, with the cost depending on their location and the number of foreign currencies they must handle. IBM's representative in Hanoi, Steven Orman, said the first batch of machines is likely to cost US\$2 million. Both Digital and IBM said they plan to submit proposals for the project.

**Cambodia updates**

◆ **Brewery** - On 17 October, Asia Pacific Breweries, Ltd. (APB), a joint venture between Holland's Heineken NV and Singapore's Fraser & Neave, announced it signed a joint venture agreement for a brewery in Kandal province, 10 miles outside of Phnom Penh. APB holds an 80% share in the venture with Progress Import and Export Ltd., which currently distributes Tiger Beer in Cambodia. Construction cost for the first phase of the plant, scheduled to begin at the end of 1994, is estimated at US\$25 million. The plant, APB's 14th in the region, will brew Tiger Beer and ABC Stout and is expected to produce 17 million liters per year.

◆ **Container depot** - Singapore's CWT Distribution is planning to develop Cambodia's first inland container port in Phnom Penh in a joint venture with Camsin Corp. Pte. Ltd. The US\$20 million project will provide general and bonded warehousing facilities and serve as a cargo distribution point for users in Phnom Penh.

◆ **Bank branch** - On 19 October, the Cambodian Farmers Bank (CFB), a Thai-Cambodian joint venture, opened its first branch in the southern port city Sihanoukville. A CFB official said, "Kompong Som [Sihanoukville] will in the near future be an international center for business and we expect to get many foreign investors." CFB, one of the first banks to be opened in Sihanoukville, plans to open branches in three other provinces next year.

CAMBODIA**Finance minister fired**

Sam Rainsy, the highly respected finance minister, was fired from his cabinet position along with two other cabinet ministers on 20 October. In a speech to the national assembly before a vote on the cabinet reshuffle, First Prime Minister Norodom Ranariddh said the change in leadership was "necessary to promote effective leadership, unity and cooperation between the ministries." The assembly voted overwhelmingly (90 to 13) in favor of the moves. Agriculture, Forest and Fisheries Minister Kong Som Ol and Commerce Minister Var Huot also lost their jobs.

Rainsy, once one of Ranariddh's closest political advisors, will be replaced by Keat Chhon, currently deputy chairman of the Cambodian Development Council, which oversees foreign investment. Chhon is a member of the Cambodian Peoples Party (CPP), as is Cham Prasidh who will take over the commerce ministry. Tao Seng Hour, the new agriculture minister, is a member of FUNCINPEC.

Rainsy earned the respect of the international financial community for his efforts in presenting a balanced budget to the national assembly and in fighting corruption within the government. The International Monetary Fund representative in Phnom Penh praised Rainsy's efforts, saying, "He has done an excellent job in stabilizing the economy." He added that he hoped the economic reform policies established by Rainsy would continue. After the vote confirming his ouster Rainsy issued a statement which read in part, "I leave my position with no bitterness, but rather with pride for what my colleagues at the Ministry of Economics and Finance and I have achieved towards monetary stability and the economic and social advancement

of Cambodia." Rainsy will remain a member of the National Assembly and reportedly will serve as a special advisor to Ranariddh on international donor aid.

Khmer Rouge defections

Colonel Chuk Rin, one of the leaders of the July train ambush [see *Digest*, 29 Jul] in which 13 people were killed and 3 westerners, 3 ethnic Vietnamese and an unknown number of Cambodians were taken hostage, has defected. Rin left the Khmer Rouge Vine Mountain base with at least 76 of his followers on 15 October. *Associated Press* reported that Rin and his troops were attacked by other Khmer Rouge guerrillas and had to fight their way out. "The reason I defected is the government said it would develop the area I live in...I decided to gather all my forces so I could take part in the reconstruction of my country," Rin said.

Rin was second-in-command to General Paet, commander of the rebel base, and is one of the highest ranking Khmer Rouge officers to defect since the elections in May 1993. Although it has been 6 weeks since any word was received regarding the hostages, Rin was unable to provide any update on their condition. Rin said he housed the hostages one night shortly after the ambush but that General Paet had them moved to his place and Rin has not seen them since.

Vietnamese killed

Seven ethnic Vietnamese living in a village in Kampong Chhnang province were massacred by suspected Khmer Rouge guerrillas on 20 October. A village community leader said that even though the killers wore government uniforms he knew they were Khmer Rouge because he had previously paid them protection money. These latest killings bring to 24 the number of ethnic Vietnamese killed in the province since July. A UNHCR official, distressed over the killings, said, "The government seems to be unable or unwilling to grant protection to these people. As far as I know, no investigations take place if people are harassed or killed [and it appears] even the military and police are afraid to investigate because they would probably face the same fate."

Thais tied to coup to be charged

Nine Thais currently being held at the T3 jail in Phnom Penh will be formally charged for their part in the failed July coup attempt [see *Digests*, 30 Sep, 19 Aug & 8 Jul]. "According to our investigation, they are specialists in electrical and radio communication and weaponry. Some of them are former soldiers," said Police Commissioner Major-General So Phan. He said the Thais are scheduled to appear in court on 27 October. On 15 October *Reuters News Agency* reported that a recent Amnesty International investigation was critical of the way the Thais have been treated and was "concerned at the continued illegal detention" of the men. Amnesty International called on the government to "release these men, or to charge them with a recognizable offense under existing laws."

Mine blast kills two

Two people were killed and 9 injured when a truck carrying deminers hit an anti-tank mine in Siem Riep province on 17 October. All of the casualties were Cambodians and worked for the French demining company Cofras. Cofras is responsible for demining the area around the temple complex at Angkor Wat.

**Sirivudh visits Poland**

Foreign Minister Prince Norodom Sirivudh met with Polish leaders in Warsaw on 14 October. Following talks with Polish Foreign Minister Andrzej Olechowski, Sirivudh said, "Poland and Warsaw are the symbols of freedom and democracy. Cambodia is studying the Polish experience in the building of a democratic system." Sirivudh also met with President Lech Walesa. "We are reforming our countries and we can help each other. There was a period of fighting, and there is a time for work now," Walesa told Sirivudh. Walesa also said his country is interested in expanding its contacts with Asian countries. Sirivudh thanked the Polish leader for contributing to the peace process in Cambodia by taking part in the UN peacekeeping force preceding the 1993 elections.

Japanese visit

Former Foreign Minister Michio Watanabe led an official Japanese government delegation to Phnom Penh from 13 to 16 October. Watanabe said he was impressed with the "progress in economic reconstruction" and suggested that by shoring up its infrastructure and demonstrating continual political stability, Cambodia would attract Japanese investors. Even though Japan is currently Cambodia's largest aid donor, Watanabe implied it might be possible for the Japanese government to increase its aid to the country since Cambodia was not a country rich in resources.

VIETNAM**Kiet opens National Assembly session**

On 20 October, Prime Minister Vo van Kiet delivered a "state-of-the-nation" address opening the latest session of the National Assembly. Kiet said Vietnam's economy will grow 8.5% this year, half a percentage point more than the government target and last year's growth rate of 8%. However, he noted Vietnam will fail to achieve the official target of single-digit inflation after inflation rose to 9.9% in the first three quarters. "Although inflation has not been kept at the one digit as the National Assembly decided, the price index of 9.9% to September reflects the reality of the market." Kiet said Vietnam cannot sustain high economic growth without streamlining its state sector, and that Vietnam must export more and improve its business climate for investors. "The development of the country requires a push in the renovation process."

Kiet warned of the necessity to catch up with Vietnam's neighbors. "[Even if] we can reach the target of US\$450 per capita in 2000, the development gap between our country and most of the other regional countries will still be widening. It's a matter of life or death to find a way and immediately prepare for higher and stable development to gradually narrow the development gap after 2000."

New Currency Market

On 14 October, the State Bank opened its first domestic interbank foreign exchange market in Hanoi, with 25 of 27 eligible banks participating. The move should help create new financial markets and modernize Vietnam's banking system. No transactions occurred on opening day of the market, as member banks adopted a "wait and see" attitude

for the first few days, according to a state banking official. John Brinsden, chief executive in Vietnam for Britain's Standard Chartered Bank, said, "It's not going to have a huge impact on day one, but it's a welcome step forward." Member banks will trade U.S. dollars and Vietnamese *dong* at rates set by the State Bank. The market will expand later to include German marks, British pounds, French francs, Japanese yen and Hong Kong dollars.

HCMC grenade attack

On 13 October, an unidentified man threw a grenade at a group of 300 passengers disembarking from a tourist boat in HCMC, injuring 18 persons, including three children. Seven Chinese and 3 Taiwanese businessmen were among those hurt in the blast. The motive for the attack is unknown. On 15 October, the Foreign Ministry denounced rumors that the attack was intended to impede relations with China before the visit of Chinese President Jiang Zemin next month. A Foreign Ministry statement said, "He was not aiming at foreigners in general or at Chinese especially. This does not affect relations between Vietnam and China or Vietnam and other foreign countries."

Sounds of silence

HCMC authorities issued a new decision, published by local newspapers on 12 October, stating everyone should keep quiet between 11 pm and 4 am. "All activities relating to pleasure, amusement, musical entertainment, eating and drinking...should ensure common tranquility and order," the decision said. People who make noise after 11 pm face "administrative penalties" and businesses could lose their licenses. The HCMC authorities dropped an ordinance issued two weeks earlier that said all nightclubs, karaoke bars and restaurants must close by 11:30 pm. Residents said the new decision was issued after HCMC bars and restaurants flouted the first order.

Spanish ties strengthened

On 19 October, Spain and Vietnam issued a joint communiqué that the two countries will exchange ambassadors in each other's capital to strengthen their relations. The communiqué was published during Foreign Minister Nguyen Manh Cam's visit to Spain. Vietnam and Spain have been carrying out diplomatic relations through their Thailand-based representatives. Cam also visited Switzerland and other European countries on his return from addressing the UN General Assembly in New York.

LAOS**President visits Indonesia**

On 17 October, Lao President Nouhak Phoumsavan began a 6-day visit to Indonesia, accompanied by Foreign Minister Somsavat Lengsavat and Trade Minister Sompadit Volasan. Following talks with Indonesian President Suharto on 18 October, Indonesian State Secretary Murdinono said, "Indonesia is expected to share its experience with Laos in agriculture. Laos also sought our help on technical assistance, especially in the field of oil exploration and gold mining." The Lao delegation also visited Indonesia's state-run aircraft factory IPTN at Bandung, and visited Bali.



US POLICY

Cam meets Christopher

Vietnamese Foreign Minister Nguyen Manh Cam met with US Secretary of State Warren Christopher in Washington, DC on 17 October. Cam pledged Vietnam's continued cooperation on the issue of missing US servicemen and "expressed the hope that the liaison offices will be established before the end of the year." Chris Runckel, a US State Department official in Hanoi, said the two governments are trying to resolve the fate of 22 former US government buildings in Vietnam and the former South Vietnamese embassy in Washington. "There has been some development, we've solved a number of issues and we're moving closer together. But we have not yet completely solved the diplomatic properties issue or agreed on a date for the opening of liaison offices," said Runckel. Christopher and Cam also agreed to continue discussions on human rights in Vietnam, which began earlier this year.

REGION

ASEAN membership no APEC guarantee

On 19 October, in a telephone link with reporters in Bangkok, Assistant US Trade Representative Nancy Adams said Vietnam's pending membership in ASEAN does not automatically confer membership in APEC. "I don't think that even if Vietnam joined ASEAN, it can be automatically assumed it will be a member of APEC," Adams said. A Thai official involved in APEC affairs made a similar statement:

"Becoming a member of ASEAN is not a back door membership in APEC, there's no link between the two." The Thai press commented on 20 October that such a stance has implications for ASEAN's traditional insistence that it must be APEC's "core," as well as for Vietnam's future role in regional economic issues.

Spratly updates

◆ **Latest Vietnam-China salvos** - On 17 October, China said Vietnam has been violating its sovereignty by prospecting for oil in cooperation with foreign companies in the Wan An (Tu Chinh) area near the Spratlys since August. On 18 October, Vietnam replied to China's accusation, stating Vietnam would continue "normal operations to explore natural resources on its continental shelf." On 20 October, a Vietnamese official said the verbal skirmishes between Hanoi and Beijing will not affect the planned visit of Chinese President Jiang Zemin to Hanoi in November.

◆ **Taiwan weather station** - On 17 October, Taiwan announced it will further equip a meteorological station in the Spratlys. A Taiwanese official said, "But the move is not political like other countries, which have more political motives. We do need to do more meteorological study and observation, because a lot of typhoons come from that direction."

◆ **Indonesia's fifth workshop** - Indonesia will host a workshop on Managing Potential Conflicts in the Spratly Islands from 26-29 October in the Sumatran city Bukittinggi. This is the fifth in a series of informal workshops on the Spratlys hosted by Indonesia [see *Digest*, 21 Jan]. Delegates from 11 countries including experts and government officials will participate in the workshop.

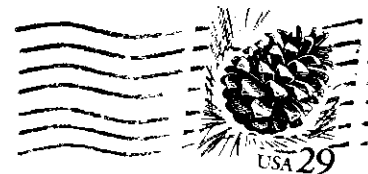
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ID#3,777