



Indochina

Digest

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TRADE/INVESTMENT

World Bank loan supports Vietnam reform

On 25 October, the World Bank announced it approved a US\$150 million soft loan to help support economic reform in Vietnam as more demanding and complex elements of the reform process are implemented. According to World Bank official David Dollar, the loan will also help alleviate poverty. "Vietnam's reforms to date have had a profound impact on poverty reduction. The measures supported by this credit are designed to keep up the momentum of economic development and poverty alleviation," he said. The loan, made through the International Development Association, will include measures for reform in the banking sector, budget preparation assistance, trade liberalization and reform of state enterprises.

Vietnam updates

◆ **Sony to Saigon** - Sony Corp. announced plans to set up a joint venture next month in HCMC to produce and market audio and video equipment. Sony will own 70 percent of the joint venture company, Sony Vietnam Ltd., and Vietnamese consumer electronics manufacturer Viettronics Tan Binh Co. will own 30 percent. A total of 100,000 12 and 14 inch color Trinitron televisions and 100,000 radio cassette players and hi-fi stereos will be produced in 1995. According to a company spokesperson, about 700 million yen (US\$6.9 million) will be spent on installing new equipment and improving Viettronics's existing plant. The company will initially create 300 new jobs, with the possibility of more jobs being created in the future.

◆ **Coffee output climbs** - According to trade sources, coffee production in Vietnam is expected to reach 160,000 to 170,000 tons in the coming 1994-95 season. The anticipated increase of between 10,000 and 20,000 tons is largely due to a good harvest in the main coffee growing province of Dac Lac. The government recently announced plans to increase the area under coffee production from the current 140,000 hectares to 220,000 hectares by 2005. Agriculture Minister Nguyen Cong Tan said Vietnam is currently the third largest producer of coffee in Asia, behind Indonesia and India.

◆ **Sugar investments sought** - Vietnam is seeking US\$400 million in investment capital for new sugar projects aimed at increasing output from 300,000 to 1 million tons per year by the year 2000. According to the *Vietnam News Agency* (VNA), the Ministry of Agriculture plans to triple sugar processing capacity in Vietnam by upgrading 9 of the 14 mills currently in operation and constructing 17 new mills. Vietnam also plans to expand the amount of land used for

sugar cultivation from 150,000 to 200,000 hectares and introduce new strains of sugar cane to increase output. Vietnam currently imports 85,000 tons of raw sugar and 20,000 tons of refined sugar.

◆ **Cathay increases flights** - Cathay Pacific Airways Ltd. announced it will offer three additional flights each week between Hong Kong and Vietnam. Two of the flights will be between Hong Kong and Hanoi and the third will be between Hong Kong and HCMC. The additional flights bring to nine the number of weekly Cathay Pacific flights between Hong Kong and Hanoi, and eleven between Hong Kong and HCMC.

◆ **Deutsche Bank deal** - On 25 October, Germany's Deutsche Bank received confirmation of Vietnamese government approval to open a branch in Vietnam. Deutsche Bank's Group Chief Executive for Asia-Pacific, Simon Murray, expressed the Bank's commitment, "to play an important role in the modernization of Vietnam's banking system and the integration of Vietnam into the international financial world." Deutsche Bank, which has representative offices in Hanoi and HCMC, is one of over 20 foreign banks actively seeking licenses to open banking branches in Vietnam. Standard Chartered Bank became the ninth foreign bank with a branch in Vietnam when it opened its doors in Hanoi in September [see *Digest*, 19 Sep].

◆ **Interbank forex busy first week** - Transactions over the first week of Vietnam's interbank foreign exchange market reached US\$10.5 million, according to State Bank estimates. On 24 October alone, US\$3.6 million was exchanged. This far exceeded the volume in foreign currency transaction centers in Hanoi and HCMC, where the highest daily volume reached only US\$1 million. The interbank market opened on 15 October [see *Digest*, 21 Oct], and involves 27 banks, including all 9 foreign bank branches in Vietnam.

◆ **Bidding begins for Dai Hung crude** - Vietnam has issued its first tender to sell the new *Dai Hung* (Big Bear) crude oil that went into production on 14 October [see *Digest*, 21 Oct]. Bidding for two cargoes of 450,000 barrels, available in late November, will be facilitated through PetroVietnam, Australia's Broken Hill Proprietary Co. Ltd., Sumitomo Corp of Japan, Petronas of Malaysia and Total S.A. of France. Prices of the *Dai Hung* crude will be linked to Indonesia's Minas crude.

◆ **Taiwanese tea plant** - Construction has begun on a US\$1 million tea processing plant in Yen Bai province. The plant, a joint venture between two Taiwanese companies, Histon International and Gen Hong Foods, and Vietnamese state-owned firms, will process 60 tons of tea per day.



◆ **Toyota discusses deal** - On 27 October, *Vietnam News Agency (VNA)* reported Toyota Motor Corp. of Japan is negotiating with Vietnam's Heavy Industry Ministry on a joint venture deal to build a vehicle assembly plant in Vinh Phu province, northwest of Hanoi. Toyota's prospective partners for the venture are the Kuo Company of Singapore and the Vietnam Agricultural Machines and Motors Corporation. Toyota has completed a feasibility study for the US\$150 million plant, which would produce minibuses and other vehicles for the domestic Vietnamese market and for export. Toyota currently sells imported vehicles in Vietnam, but consumers must pay 200 percent import duties.

◆ **Rush of rice** - On 24 October, the *Hanoi Moi* newspaper reported the price of rice doubled throughout the north in the third week in October, due mainly to anticipation of shortages following severe flooding in parts of the country. The government is shipping 22,000 tons from the south to allay concerns and will also retain 25% of broken rice exports and rely on national reserves to stabilize prices. According to local traders, retail prices in the north rose from 2,600 dong per kilo (24 US cents) to as high as 3,800 dong (35 US cents), with the price in Hanoi at 3,400 dong per kilo (31 US cents). An Agriculture Ministry official told *Reuters News Agency* that output was still expected to exceed last year's level, and prices would return to the 2,600 dong per kilo level once stabilization measures take effect.

◆ **Fake perfume** - French customs agents recently found 176,000 bottles of fake "Diva" perfume by Ungaro on a cargo ship container arriving from Vietnam and bound for Riga, Estonia. Customs officials said the perfume had been ordered by a Moscow-based company. The perfume bottles had labels stating "Queen-London-Paris" but were virtually identical to the distinctive decanter patented by Ungaro.

CAMBODIA

Hostages feared killed

There are conflicting reports concerning the fate of Australian David Wilson, Briton Mark Slater and Jean-Michel Braquet from France, who were kidnapped last July [see *Digest*, 29 Jul]. The three, who have reportedly been held at the Vine Mountain Khmer Rouge base since their capture, are now believed to have been killed. A senior government army officer told *Reuters News Agency* on 27 October that the hostages were killed on 27 September as government troops began a major attack against the rebel base [see *Digest*, 30 Sep] and that "the three corpses were taken to be buried at a place called Andong Pralit. We haven't found the graves yet--we've only been told the location where they are buried." The base was overrun by government troops on 25 October, but there was no sign of either the hostages or of the Khmer Rouge commander of the base, Noun Paet.

A Defense Ministry statement, however, released on 28 October stated, "The Royal Cambodian Armed Forces (RCAF) denies the information given to national and international press by a general in Kampot province saying that the three hostages were already killed by their

kidnappers." Defense Minister Tea Banh said he believed the hostages were still alive, saying there "is no evidence to say they were killed."

Australian Foreign Minister Gareth Evans, reacting to the news said, "We're making it clear today that if the worst is true and that David Wilson and his two friends have in fact been killed by the Khmer Rouge, then we and the other countries concerned simply cannot accept and will not accept anything other than the murderers being brought to justice. That message will be delivered loudly and clearly in Phnom Penh."

Sirivudh offers resignation

Deputy Prime Minister and Foreign Minister Prince Norodom Sirivudh announced on 24 October he will offer his resignation "to my two prime ministers for official procedure." Sirivudh said the reason for his resignation was that he and both prime ministers "had different conceptions on everything." Sirivudh expressed his dismay at the recent firing of his friend and political ally Sam Rainsy as finance minister [see *Digest*, 21 Oct] and the lack of support for the policies of King Sihanouk. "I do not agree...to wait for them to push you out. I'm a proud guy...I will resign for many, many reasons--as minister you can choose to shut your mouth or to leave, and I prefer to leave. For one year now I have shut my mouth, but now I am not able to do that any more because of my conscience," Sirivudh said.

Thais on trial

Nine Thais on trial for taking part in the failed July coup were found guilty on 28 October, but were set free after receiving suspended sentences from the judge. "We are very grateful," said Thai Ambassador Sakthip Krairiksh, adding that the suspended sentences, "shows the kindness of his majesty the king and the goodwill of the government of Cambodia." Three Thais were given 5 year suspended sentences, while the remaining 6 were given 3 year suspended sentences.

The Cambodian leaders of the coup attempt were not so lucky. Prince Norodom Chakrapong and former interior minister Sin Song were both convicted in absentia and sentenced to 20 years. Chakrapong is currently living in exile in France and Sin Song, who escaped from detention last month, remains in hiding [see *Digests*, 9 & 2 Sep]. Former Secretary of State for Interior Sin Sen was sentenced to 18 years and former Defense Department police chief Tea Choy was given a 5 year suspended sentence. Both men were present at the two day trial.

US aid agreement signed

The US Agency for International Development (USAID) has finalized a US\$37 million aid agreement with the Cambodian government, that was pledged at the International Committee for the Reconstruction of Cambodia last March [see *Digest*, 11 Mar]. The agreement, covering technical and economic assistance, was signed 25 October by USAID Assistant Administrator for Asia and Near East, Margaret Carpenter, in Phnom Penh.



The aid package adds to over US\$164 million in USAID funding to Cambodia since 1986, which has facilitated projects in infrastructure and rural development, de-mining and public health programs throughout the country.

Riel news

According to a 24 October announcement by the National Bank of Cambodia, higher denominations of the *riel* and the replacement of lower *riel* notes with coins will begin by the end of 1994. The new *riel* notes will come in 1,000, 2,000, 5,000, 10,000, 20,000, 50,000 and 100,000 denominations, while coins will replace the current 100, 200, and 500 *riel* notes. The new denominations, including a 50 *riel* coin, will be introduced through civil servant salaries and exchange services. There will be no time limit on the gradual phasing out of the old denominations.

Arab ties

The United Arab Emirates and Cambodia agreed to establish diplomatic relations at the ambassadorial level, according to a 22 October official *Emirates News Agency* report.

VIETNAM

Cam continues European visit

On 25 October, Foreign Minister Nguyen Manh Cam met with European Union (EU) Vice-President Manuel Marin in Brussels to finalize a cooperation agreement, and to discuss the future of an EU representative office in Vietnam. The 1993 level of exports to Vietnam was 500 million ecu (US\$417 million) up from the 1990 level of 130 million ecu (US\$108 million). Likewise, the EU's imports of Vietnamese goods have gone from 83 million ecu (US\$69 million) to 540 million ecu (US\$450 million) in that period. On 25 October, Belgian Foreign Minister Frank Vandenbrouke announced an economic mission to Vietnam in November. He expressed hope that the business delegation, to be led by Belgian Crown Prince Philippe, would strengthen economic cooperation between the two countries.

Formal ASEAN application presented

On Wednesday, Vietnam formally applied to become the seventh, and first communist, member of the Association of Southeast Asian Nations (ASEAN). Vietnam would join Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand in the group, which was formed in 1967. Vietnam, which has had observer status since 1992, is interested in membership mainly to strengthen economic and trade ties with other ASEAN economies. The six current members have agreed in principle that Vietnam can join, but stress that trade and technical barriers must be resolved.

UN to spend on people

The United Nations Development Program (UNDP) announced on Tuesday that it plans to spend US\$30 million in Vietnam over the next two years on projects that will

directly benefit people. The UNDP has historically focused on technology transfer, with the majority of spending going to equipment purchases. According to its resident representative in Hanoi, Roy Morey, the UNDP will spend the bulk of the aid on environmental issues, capacity building and training. Morey said Vietnam's forests will need a lot of assistance in order to avoid "essentially all natural forest cover in the country [becoming] vanished by the year 2010."

Corruption and smuggling continue

According to Vietnamese government reports, the number of incidents of corruption and smuggling continues to rise despite tougher punishments for offenders. The total of 919 violations and 429 billion dong (US\$39 million) lost in the first eight months of this year is almost identical to figures for the first ten months of 1993. To date in 1994, 1,600 officials have received administrative punishment and 430 have been prosecuted for corruption. Recently, the chairman and vice-chairman of the People's Committee of Ba Ria-Vung Tau were fired for unspecified offenses involving land. The report said there had been 4,300 cases of smuggling, 2,600 cases of trading in banned goods and a similar number involving "related illegal business activities." Incidents of tax evasion and drug trafficking were also cited in the report. According to Prime Minister Vo van Kiet, corruption and smuggling are among the obstacles to Vietnam's ambition of catching up with wealthier Asian countries. Kiet stressed the need for administrative reform.

Flood damage escalates

The damages caused by severe flooding throughout Vietnam continue to mount. On 26 October, the *Nhan Dan* newspaper reported that over 1,000 families were ordered to evacuate their homes along the Tien River west of HCMC, where more than four km (2.5 miles) of the riverbank was washed away. The evacuation order came from Deputy Prime Minister Tran Duc Luong after his visit to the area. News reports from remote areas in the Mekong Delta area brought the total number of flood related deaths to 308, most of them children. Losses to crops and property are now estimated at 1.5 billion dong (US\$133 million).

REGION

Spratly workshop in Indonesia

Indonesia hosted a three-day workshop, from October 26-28, aimed at seeking ways to avoid armed conflict over the potentially oil-rich Spratly Islands [see *Digest*, 21 Oct]. China rejected a proposal by Indonesia to broaden cooperation efforts beyond countries in the region by seeking the involvement of Japan, the US and Europe. The talks concluded on Friday with agreements reached only on technical cooperation. Little movement was made on setting up a more permanent framework to resolve the issue, but the majority of participants called for a halt to military build-up in the area.



US POLICY

Big Macke in Southeast Asia

The highest ranking US military officer in the Asia and Pacific region, Admiral Richard C. Macke, travelled to Southeast Asia this week to meet with government leaders and US units conducting searches for US servicemen still listed as missing in action. Macke, the Commander in Chief of the United States Pacific Command, met with Vietnamese Prime Minister Vo van Kiet on Tuesday to discuss the continuing importance of determining the fate of the 2,214 servicemen still unaccounted for. Macke and Kiet also discussed the issue of maintaining stability in the region, leaving the door open for possible future US military cooperation with Vietnam. Before travelling with members of the Joint Task Force Full Accounting (JTFFA) to two crash sites outside of Hanoi, Macke praised and thanked Vietnam for its "tremendous" and "impressive" cooperation in helping to account for US MIA's. Macke stressed the importance of continued cooperation, saying, "Cooperation on the MIA issue is absolutely critical to further cooperation in political and economic areas between our two countries." Macke also visited Laos and Cambodia, where he met with defense officials and JTFFA staff.

REFUGEES

HK repatriation continues

On 26 October, 37 more Vietnamese people were returned to Vietnam under the UNHCR voluntary repatriation program. This group, combined with the 46 people who returned on

18 October, brings the total number of people returning voluntarily to 4,331 this year. On 28 October, the Hong Kong government sent 46 Vietnamese who arrived in the territory via China to Hainan Island, south of Guangzhou, China. Hanoi refuses to accept these people because they did not come to Hong Kong directly. The Chinese government has agreed to cooperate with Hong Kong authorities to find a solution for the Vietnamese in this situation.

FYI

1995 Vietnam calendar

A California company, Around the Bend, has produced a bilingual, bicultural 1995 calendar which features 24 color photos depicting life in Vietnam. The format includes both Western and lunar calendars, noting both Vietnamese and American holidays, and Vietnamese proverbs in both English and Vietnamese. The cost of the calendar is US\$6.25; special rates are available for bulk orders. For more information, contact Around the Bend, 2045 Oak St., #3, San Francisco, CA 94117; tel: 415-387-2321; fax: 818-915-2518.

Vietnam Operations Forum

The Economist Conferences, a subsidiary of The Economist Group, is sponsoring three conferences on Vietnam as part of their Asian Investment Forums program. The forums, which feature veteran Vietnam business consultant Christopher Bruton, will be held in New York on 15 November, Chicago on 16 November, and San Francisco on 18 November. Registration is US\$595. For more information, contact The Economist Conferences, 111 West 57th St., New York, NY, 10019; Tel: 212-554-0600; Fax: 212-586-1181.

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