



# Indochina Digest

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## TRADE/INVESTMENT

### Canada, Vietnam boost economic ties

On 16 November, following talks between Canadian Prime Minister Jean Chretien and Vietnamese Prime Minister Vo van Kiet, the two countries agreed to give Vietnam most-favored-nation (MFN) trading status, double its textile export quotas, and provide additional aid. The prime ministers signed a memorandum of understanding granting Vietnam MFN status once the two governments approve a framework trade agreement. The textile export quota will be increased next year to two million pieces of clothing per year, up from 1.1 million under the current agreement. Canada will give Vietnam up to C\$36 million (US\$27 million) in development assistance for projects in economic management, legal and administrative reform, and environmental management over the next four to five years.

Thirty Canadian businessmen joined Chretien on his visit and on 17 November signed more than C\$65 million (US\$50 million) in business deals. Among the deals was a multi-million dollar contract for DGB Systems Integrators to provide vessel traffic management systems for Vietnamese waters, a C\$13.6 million (US\$10 million) deal for SR Telecom to provide rural telephone switching equipment, a C\$6.5 million (US\$5 million) joint venture agreement with Technophar Equipment and Services, which manufactures pharmaceutical capsules, and an oil production sharing contract with Canadian Occidental Petroleum worth C\$26 million (US\$19 million).

In related developments, Canada opened a new embassy in Hanoi and a trade office in HCMC. Canadian International Trade Minister Roy MacLaren said Canada welcomes Vietnam's membership in the APEC forum and the new World Trade Organization.

### Plastic money gains

During the first 9 months of 1994, the Bank of Foreign Trade (Vietcombank) processed credit card transactions of over US\$50.5 million, representing a tripling of the US\$27 million in transactions processed during 1993. Since 1991, Vietcombank has been acting as an agent for Visa, Mastercard, and the Japan Credit Bureau (JCB). American Express was added in 1994 after the US embargo was lifted. Processing fees for the first 9 months have generated profits of US\$440,000 for Vietcombank. The bank has a network of 500 establishments that accept credit card payments, with about 330 in HCMC, 140 in Hanoi, and 30 in other cities. Vietcombank has been less successful with its own credit card, which it began issuing in July 1993. Only 325 cards have been issued.

### Phnom Penh power

The Cambodian government has ordered three six-megawatt diesel generators from the Japanese Marubeni Corp. and Wartsila Diesel Singapore Pte. Ltd., at an estimated cost of US\$140 million. The new generators will help alleviate the power shortage in Phnom Penh, where many hotels and businesses must rely on in-house generators. The capital city is currently dependent on one 28.5 megawatt generator. The purchase is being funded by the Asian Development Bank and construction of the facility to house the generators is expected to begin in 1995.

### Vietnam updates

◆ **October investment figures** - During the month of October, Vietnam granted licenses for 25 foreign investment projects worth over US\$289 million. The US signed 8 deals, South Korea signed 5, and Thailand, Taiwan, and Japan each signed 2. In terms of capital investment, South Korea led with US\$109 million, followed by Thailand (US\$45 million), France (US\$36 million), and Taiwan (US\$30 million). The US was the fifth largest investor, with its 8 projects valued at US\$18.5 million. The total US investment in Vietnam as of 11 October 1994 was 22 projects for US\$187 million.

◆ **Currency reserves** - At the end of the first nine months of 1994, the State Bank had US\$1.02 billion in foreign currency reserves, an increase of US\$423.3 million over the same period in 1993. The State Bank recently announced that its foreign currency reserves are sufficient to handle all import demands and to regulate the domestic monetary market.

◆ **Check it out** - On 15 November, the State Bank began issuing personal checks to individuals in Hanoi [see *Digest*, 22 Sep]. The personal checking system is intended to limit the amount of cash in circulation and to encourage investment. A 2,000 *dong* (US\$.18) charge for each check is seen as a possible deterrent to use. According to the Foreign Trade Bank (Vietcombank), only 240 private individual accounts have been opened, including 200 by bank employees. The Foreign Trade Bank's HCMC office will introduce personal checks in December.

◆ **Super bowls** - On 11 November, American Standard Inc. received SCCI approval for a US\$15.6 million joint venture to manufacture ceramic sinks, toilets, and bathroom equipment in Vietnam. The venture partners, American Standard's Singapore subsidiary, Ceramic Sanitary Ware Pty. Ltd., and the Song Be Export-Import Co., will hold 70% and 30% of the venture, respectively. According to *Vietnam News*, the venture is particularly welcome because Vietnam currently spends US\$10 million importing toilet fixtures.



◆ **A piece of the rock** - On 11 November, Britain's Prudential Corporation was awarded a license to set up a representative office in Vietnam. According to chief executive Michael Newmarch, Prudential plans to open an office in Hanoi by the end of 1994. Following the opening of this office, the company will seek an operating license and consider establishing a joint venture. Newmarch said: "We see it as a marketplace that is in the very early stages of development, but a marketplace that has a potential appeal at some point in the future." Prudential is one of several foreign insurance firms opening representative offices since Vietnam ended the monopoly of the state-owned Vietnam Insurance Company (*Bao Viet*) [see *Digest*, 12 Aug, 7 Jan].

◆ **The real thing** - On 16 November, the chairman of Vietnam's Pacific Beverage Co., Anh Truong, announced that the company's HCMC plant has started producing Coca-Cola. The company was granted its license in October 1994. Production is currently aimed at the Vietnamese market; however, the company plans to export in the future.

◆ **Saigon's second skyscraper** - According to the *Saigon Newsreader*, the Harmony Property Group signed a US\$65 million joint venture agreement with the Saigon Jewellery Company to build the Saigon Diamond Plaza, a 36-story facility, in the center of HCMC. The Harmony Property Group is comprised of Thailand's Christiani and Neilson (55%), Pacvest Capital Ltd. (30%) and Indochina Partners of New York (15%). The project, which is expected to be completed in 1998, is awaiting SCCI approval.

◆ **Sugar imports down** - Vietnam is expected to import 30,000 tons of sugar in 1995, less than one-third of this year's imports. The current harvest is expected to yield 380,000 to 400,000 tons of raw basis sugar, and about 30,000 tons are expected to be carried over from 1994 imports of 105,000 tons of raw and refined sugar. *Reuters News Agency* reported that the industry would try to control local prices at below 6,500 *dong* per kg for refined extra and 5,800 *dong* per kg for refined standard.

◆ **Remy enters Vietnam** - On 14 November, France's Remy Cointreau Group announced the opening of a representative office in Vietnam as part of its strategy of "ensuring a systematic international presence in markets offering medium-term growth opportunities." Its new office in HCMC will be responsible for the marketing and promotion of all Remy Cointreau Group products in a bid to get local consumers to switch from local to international brands.

### Airline updates

◆ **British Airways taxiing** - British Airways Plc. has applied to the UK Civil Aviation Authority to open an air route between London and HCMC. It hopes to offer two flights per week by March 1995.

◆ **UAE Airline ready for take off** - The United Arab Emirates (UAE) state-owned Emirates Airline announced plans to begin non-stop flights between Dubai and HCMC by June 1995. The service will be the airline's first in Indochina, and according to chairman Sheikh Ahmad Bin Said Al Maktoum, "will open more trade opportunities and new tourism potentials between the UAE and Vietnam."

◆ **JAL takes off** - On 16 November, a Japan Airlines (JAL) flight landed at Tan Son Nhut airport in HCMC, initiating the first direct commercial air links between Japan and Vietnam since 1975. JAL and Vietnam Airlines will operate two and three flights a week, respectively, to accommodate the increase in Japanese business and tourist visits to Vietnam [see *Digest*, 23 Sep].

◆ **Air Jordan** - On 18 November, the Civil Aviation Administration of Vietnam (CAAV) announced that Jordan and Vietnam have signed an air services agreement to establish regular airline flights between the two countries. This agreement brings to 34 the number of aviation agreements Vietnam has signed with other countries.

## VIETNAM

### Donors pledge US\$2 billion

In a 15-16 November conference in Paris sponsored by the World Bank, donor nations pledged US\$2 billion in aid and low-interest loans to Vietnam to support the government's reform program. The aid was promised by Japan, South Korea, Australia, Canada, Singapore, and ten Western European governments. The US participated as an observer and made no pledges. Twenty percent of the pledges were in the form of cash and the rest were in soft loans.

These pledges, slightly more than the US\$1.86 billion Vietnam received at a similar conference last year [see *Digest*, 12 Nov 93], represent an endorsement of economic reforms that slashed inflation, trimmed the public sector, and fueled growth rates of greater than 8 percent for the past two years. "Vietnam is on the right track. It has the right vision and it is producing results," said Callisto Madavo, a director of the World Bank's East Asia department. "It has the potential to be a real success story." However, he warned that "several strong years of growth mark the beginning, not the end, of the reform process." The head of the Vietnamese delegation, State Planning Committee Chairman Do quoc Sam, told the meeting that Vietnam's priorities for 1995 include reform of state enterprises and the budget, development of the private sector, and a further opening of the economy to foreign trade and investment.

### IMF approves US\$535 million in loans

On 11 November, the IMF approved approximately US\$535 million in loans for Vietnam to support the country's "medium-term economic stabilization and structural reform program." Approved under the enhanced structural adjustment facility, the loans will be made available over the next 3 years with the first, worth roughly US\$178 million, available immediately. The IMF praised the significant progress made since 1986 in transforming the Vietnamese economy, but cautioned that in order for Vietnam to maintain its current 9 percent growth rate, it should continue tightening fiscal policies, intensifying market-based reforms, and increasing investment levels to mobilize both foreign and domestic savings. The IMF also said that the government should increase official reserves to improve its external position.



### Dutch waive debt interest

On 12 November, an official of the Netherlands Embassy in Hanoi informed Finance Minister Ho Te that the Netherlands has waived outstanding interest of 14.8 million *guilders* (US\$8.7 million) on Vietnam's official debt to the Netherlands. This amount covered interest accumulated on loans provided by the Dutch between 1978 and 1980. Later debt servicing payments have already been written off until the end of 1994. The arrangement was part of the reorganization of Vietnam's official debt agreed to by the Paris Club of creditor governments in December 1993. Vietnam still owes the Netherlands principal payments totalling 23-24 million *guilders* (US\$13.5-US\$14.1 million).

### China clears mines along border

According to the *Chinese News Service*, Chinese troops in the southern Guangxi Zhuang Autonomous Region have cleared 500,000 unexploded landmines from the Sino-Viet border area and reopened 15 border crossing posts. Another 300,000 land traps planted in the early 1980s were defused by Chinese troops in Yunan. Chinese President Jiang Zemin will visit Vietnam later this month.

### SEAFAIR Ambassadors Visit Vietnam

A group of American high school students will visit Vietnam 20-26 November. The SEAFAIR Ambassadors are sponsored by the Seattle Jaycees and supported by the Center for Global Partnership/Japan Foundation. The SEAFAIR Foundation's Ambassador Program cultivates world economic and cultural understanding by providing students with hands-on international education and travel opportunities. "Growth, trade, and internationalism are what comes to mind when I think of Vietnam," said 1994 Ambassador Cory Gaunt. "I think there are enormous opportunities economically and culturally." The trip will include visits to the People's Committee, Cao Dai Cathedral, Ba Den Mountain, the White Palace Museum, and 3 schools.

### American citizen sentenced to 12 years

A Vietnamese court has sentenced an American citizen to 12 years in jail for defrauding a furniture company. In a trial that ended on 11 November, the HCMC People's Court convicted Khuu Thang Vi of cheating the firm out of the equivalent of US\$32,000 by contracting in 1991 to supply it with wood furniture worth US\$45,000 and then delivering products valued at only US\$13,000, according to an AP report. A US official in Bangkok said Vietnam now holds at least ten Americans in jail or detention, with all but one of Vietnamese origin.

## CAMBODIA

### Troops on alert

On 17 November, the Cambodian government put its security forces on full alert across the country to stop any rebel attempts to disrupt this year's Water Festival celebrations. The security alert follows reports of two attacks

late last week by Khmer Rouge guerrillas in which 17 people were killed and 33 injured in southern Kompong Speu province. Interior Ministry spokesman Major General Teng Savong said, "We at the Ministry of Interior are closely cooperating with the Ministry of Defense to provide maximum security for the people during the Water Festival," and said that police would step up checks for illegal weapons in Phnom Penh. He accused the Khmer Rouge of trying to destabilize rural areas during the holiday period. The three-day Water Festival marks the beginning of the main rice harvest and is celebrated with boat races, parades, and full moon ceremonies in villages across Cambodia.

### KR recruitment

According to aid workers in Cambodia, the Khmer Rouge is forcing local men in northwest Cambodia to fight in the guerrilla army, often abducting them or holding their families hostage to ensure cooperation. On 15 November, the head of operations for the Cambodian Red Cross in Siem Reap province, Mr. Keo Koeun, told *Reuters News Agency* six people were shot "on the spot" for refusing to cooperate with Khmer Rouge recruiters. He estimated 60 families had been forcibly abducted from Siem Reap province alone. Siem Reap Town is being flooded with refugees escaping the fighting in the north. The claims of Mr. Koeun and other Cambodian Red Cross workers were verified by an official of a Western aid organization operating in the area.

## REFUGEES

### Voluntary repatriation

On 15 November, 154 Vietnamese "screened out" boat people were flown from Hong Kong to Vietnam under the UNHCR voluntary repatriation program. The group was the 219th to be returned, and included 55 men, 33 women and 66 children. The flight brought the number of voluntary repatriation participants to 4,523 in 1994, and 43,136 since the program was initiated in March 1989.

### 125 Vietnamese temporarily released

On 15 November, 125 Vietnamese were released from detention in closed refugee camps to await a decision on their fate by the governments of Hong Kong and Vietnam. The group has been refused voluntary repatriation by the Vietnamese government due to the ethnic Chinese backgrounds of some individuals. Although negotiations continue over their return, they are free to live in open camps or on their own in Hong Kong, but must report to Hong Kong officials every 3 months.

Continued detention of boat people in this situation poses a legal dilemma for the Hong Kong government, which cannot ensure resettlement of non-refugees, and is under pressure from China to resolve the boat people problem before 1997. Refugee coordinator Brian Bresnihan explained, "We were worried that their continued detention [in closed camps] might be unlawful and that is why we've decided to release them." The government denies that demands by human rights groups were a factor in the decision.



# US POLICY

## US senators visit Vietnam

Senator Christopher Bond (R-Mo) led a delegation of six US senators to Vietnam to meet with Vietnamese leaders between 15-17 November. The senators spoke with Vietnamese President Vo van Kiet about regional security and economic issues, as well as the issue of US servicemen still unaccounted for. They also had what Senator Bond called "very positive" talks with Trade Minister Le van Triet. Bond indicated that the shift of power in the US Congress following the recent congressional election will not slow the pace of normalization between the US and Vietnam, saying, "There is general support for making progress."

Deputy Foreign Minister Le Mai, commenting on recent US election results, said: "I don't see any reason why the results of the elections will have a negative impact on relations." He also expressed his belief that the US policy toward Vietnam is a bipartisan one, adding, "There is no possibility whatsoever that the United States and Vietnam can go back to a state of confrontation as in the past."

Senator John Kerry (D-Mass), who was on a separate visit to Vietnam, joined Bond's delegation at a meeting with the Hanoi Chapter of the American Chamber of Commerce in Vietnam on 16 November. "A stronger relationship with Vietnam is not merely a matter of business," Kerry said. "Vietnam can be, and I predict will be, a very important player and even an ally in maintaining stability in this region."

## US-Thai talks cover Cambodia

On 17 November, US Secretary of State Warren Christopher met with Thai Prime Minister Chuan Leekpai and Defense Minister Sukmak Wichit, who assured him that tough disciplinary measures would be imposed on any member of the armed forces caught aiding the Khmer Rouge. Christopher said that he will tell the US Congress that Thailand is trying to stop support for Khmer Rouge guerrillas among Thai military personnel. *Reuters News Agency* reported that although US officials privately acknowledge some assistance to rebels across the border, Assistant Secretary of State Winston Lord said the US believes the Thai government "has been making a good-faith effort" to block the assistance. In August, the US Congress passed a law mandating a halt in aid to any country that "cooperates tactically or strategically with the Khmer Rouge in their military operations" and requiring the State Department to report to Congress by February 1, 1995 on the extent of Thai military support for the Khmer Rouge.

## US donates medicine to KR defectors

US Ambassador Charles Twining has donated emergency medical kits to the families of Khmer Rouge soldiers who defected during the October government offensive on Vine Mountain. The kits of basic medicines and equipment, to be used by some 200 families of the former guerrillas, included antibiotics, antifungal creams, cough suppressants, aspirin, sedatives, IV fluids, gloves, syringes, and bandages. In a statement released to the press on 14 November, the US embassy in Phnom Penh explained: "The US government made this donation in support of the Royal Cambodian Government's effort to re-integrate Khmer Rouge defectors and their families into Cambodian society and to support King Sihanouk's desire for national reconciliation."

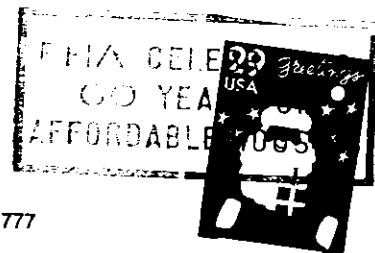
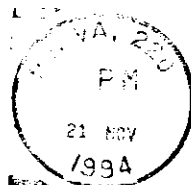
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### Indochina



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