



Indochina Digest

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TRADE/INVESTMENT

Vietnam calling deals

◆ **Sweden** - Three Swedish companies applied for a license with the Directorate Generale of Posts and Telecommunications (DGPT) of Vietnam to install and operate a nationwide cellular telephone and paging system. The Swedish investors will contribute US\$159 million in capital to the US\$340 million project, with the Vietnamese partner providing US\$181 million, in the form of office space and salaries. The system, with hubs in Hanoi, Danang and HCMC, is expected to be completed in 1995. Both Hanoi and HCMC have independent mobile phone networks [see *Digest*, 10 Oct]; however, no nationwide system connects the two. The *Vietnam Investment Review* estimates the number of subscribers to the new system will reach 180,000 in ten years.

◆ **Canada** - On 18 November, Canadian SR Telecom Inc. announced it signed an agreement with the Directorate Generale of Posts and Telecommunications (DGPT) to supply technical equipment for network communications projects in Vietnam's rural areas. The project will be financed by Export Development Corp. on behalf of the Canadian government and will be one of the first under the new loan agreement signed between Canada and Vietnam last week [see *Digest*, 18 Nov]. Vietnam will receive the first SR500 system in early 1995.

◆ **Britain** - On 23 November, Britain's Cable and Wireless Plc. (C&W) received approval from the Vietnamese government to open a representative office in Hanoi. C&W is investing US\$150 million in a fiber-optic cable system which will connect Thailand, Vietnam and Hong Kong, due to come into operation in late-1995 [see *Digest*, 25 Mar].

Vietnam cementing deals

◆ **France** - France's official export credit agency (COFACE) agreed to guarantee a US\$98 million supplier credit in its first bank loan to Vietnam since it resumed coverage this year [see *Digest*, 22 Jul]. The loan will enable the French engineering company Technip to equip a cement plant at But Son, south of Hanoi [see *Digest*, 30 Sep]. The plant is owned by the Vietnam National Cement Corp. (VNCC), a division of the Ministry of Construction.

◆ **Taiwan** - On 21 November, Taiwan's Lucky Cement Corp. announced plans to invest T\$5 billion (US\$190 million) to set up a cement factory in HCMC. Lucky will take a 65% stake in the venture, which will produce 1.5 million tons of cement per year. The firm will apply for approval this year, and hopes to start work on the plant by mid-1995.

◆ **Japan** - Marubeni Corp. announced plans to establish a US\$75 million cement joint venture in Vietnam by the end of the year. Vietnam National Cement Corp. (VNCC) will own 30% of the venture, with Marubeni and the International Finance Corporation (IFC) each owning 10%. Major Taiwan cement firms will own the remaining stakes. A site for the venture has yet to be determined.

Vietnam updates

◆ **Fertilizer venture** - According to a 20 November *Vietnam News Agency* report, US-owned All Ocean International plans to build two di-ammonium phosphate fertilizer plants in Vietnam, in cooperation with Vietnam's Fertilizer and Basic Chemicals Corporation. A feasibility study for plants in Quang Ninh and Dong Nai provinces determined the two facilities will have a capacity of 450,000 tons a year. Vietnam's six fertilizer plants nationwide currently generate a total of over one million tons, meeting 70% of demand for phosphate fertilizer and only 10% of demand for nitrogen urea. Vietnam imports one million tons of nitrogen urea and 150,000 tons of phosphate. Total demand for fertilizer by the year 2000 is projected to be as high as 5 million tons a year.

◆ **Chicken coup** - On 21 November, Iddison Group Vietnam Ltd. of New Zealand announced it won the rights to operate a poultry joint venture project in Vietnam with Cobb-Vantress Inc., a subsidiary of the US-firm Tyson Foods Inc. The operation will include the import, raising, marketing and distribution of the Cobb 500 poultry breed and is expected to be underway by mid-1995. Iddison will own 80% of the venture, and Cobb will contribute 20% to facilitate the breeding operation. While a Vietnamese partner may be considered at a later date, Iddison Managing Director David Seton said, "The most significant part is the fact that we've got the rights to the bird in Vietnam."

◆ **HCMC skyline update** - On 21 November, South Korea's Posco Engineering and Construction Co. Ltd. and the state-run Vietnamese Steel Corp. signed a joint venture agreement to build a 20-story office and apartment tower in HCMC. Posco, a subsidiary of Pohong Iron and Steel Co. Ltd., will hold 60% of the venture and Vietnamese Steel Corp. will hold 40%. Construction of the US\$78 million project, to begin in June, will take 4 years to complete.

◆ **Another tower** - Centrepont Properties Ltd. (CPL) announced a joint venture with Vietnam's Chuong Duong Beverage Company to develop a 20-story office tower and shopping complex in HCMC. CPL will own 75% of the \$36 million (US\$ 25 million) project, with Chuong Duong holding 25%. The project will be completed by 1997.



◆ **Oil refinery location shifted** - The *Vietnam News Agency* reported that Prime Minister Vo van Kiet has asked the state oil company PetroVietnam to study the possibility of locating its first oil refinery at Dzung Quat in Quang Ngai province, south of Danang. A feasibility study had been underway by a consortium of France's Total SA and Taiwanese partners to build a US\$1 billion refinery near Khanh Hoa, further south, or Vung Tau, the oil industry base near HCMC. However, Kiet ruled against both of these sites. Oil industry sources said his decision to move the site to Dzung Quat is likely to evoke controversy because it is located hundreds of miles from Vietnam's main offshore oil fields near Vung Tau. Kiet is also said to have asked ministries to submit plans for a special economic zone in the central coastal area between Danang and Dzung Quat.

◆ **US milk venture** - On 24 November, the *Vietnam News Agency* reported that a US firm, St. Lawrence International Farms, will take a 70% stake in a US\$2 million joint venture project to produce milk in Moc Chau, northwest Vietnam. The venture, Valley Dairy Products, is expected to become operational by the end of 1995, with a daily capacity of 15 tons of dairy products.

Sihanoukville updates

◆ **Port upgrade** - The Asian Development Bank will provide a US\$5 million loan to upgrade Cambodia's largest seaport, Sihanoukville, to international standards. The Cambodian government will contribute US\$1.7 million to the project. The renovations are expected to include the construction of a new container terminal, repairs to the 1950s-era waterfront warehouses, installation of new cranes and cargo handling equipment, and the purchase of new tug boats. Power mains will be upgraded to allow 24-hour operations. Sihanoukville Port Director Lou Kim Chhun told *Reuters News Agency* that Sihanoukville could become an important transit stop for inter-Asia cargo.

◆ **Cambodian roulette** - Naga Island off the southern coast of Cambodia, near Sihanoukville, will be the site of Cambodia's first casino resort [see *Digest*, 8 Jul]. Cambodia's Tourism Ministry announced four bids are under consideration for the contract to build the facility, which will include resort facilities and an international airport. Singapore's Unicentral Corporation, Malaysia's Landmark Bhd. and FACB Bhd. Group, and Hyatt International Hotel Group are competing for the US\$400 million project. Contractors will be announced in late December and construction is expected to begin in 1995.

Cambodia updates

◆ **Oil leases** - On 24 November, Minister of Energy Pou Sothirak announced the issue of 4 new oil and gas exploration leases, including three offshore blocks in the Gulf of Thailand, and one onshore block. Sothirak said the offshore concessions are within Cambodian territory, and will be unaffected by overlapping claims by Thailand. The onshore block is located in northwest Pursat province, an area where Khmer Rouge guerrillas operate. At least 10 foreign firms from Britain, the US, Malaysia and Japan have submitted sealed bids for the new concessions.

◆ **Fill 'er up** - Malaysia's state-owned oil company, Petronas, announced on 25 November the opening of 2 petrol stations in Phnom Penh. The stations are the first overseas commercial venture for Petronas, which operates 428 stations in Malaysia. The company plans to have 5 stations in Cambodia by the end of this year.

◆ **North Korean lease** - On 23 November, the *Economic Information Daily* reported Cambodia has agreed to lease 20,000 hectares (49,400 acres) of land in the northeast region to a North Korean firm to grow rubber, coffee and oil-bearing crops. The paper said Cambodia plans to lease an additional 2,000 hectares (4,940 acres) near Phnom Penh for agricultural use.

VIETNAM

Jiang's Vietnam visit

During a 19-22 November visit to Vietnam, Chinese President Jiang Zemin and members of his 150-person delegation signed 3 economic and trade accords and agreed with Vietnamese officials on ways to improve relations between the 2 countries. During his visit, Jiang met with Vietnamese General Secretary Do Muoi and Vietnamese President Le Duc Anh, while members of his delegation met with their Vietnamese counterparts. Under the new accords, an economic and trade cooperation committee will be established to create better conditions for trade and to prevent smuggling across the border. The second accord allows for guaranteeing the quality of import and export goods between the two countries, and the final accord will facilitate automobile transportation of personnel and goods between China and Vietnam. In 1993, a year after the border crossings were reopened, land trade between the two countries rose to US\$400 million.

China and Vietnam also agreed to resolve disputes through friendly consultations and negotiations. A special group, consisting of Vietnamese and Chinese officials, will be established to discuss territorial disputes, including the Spratly Islands. The expert group will be similar to groups already established to discuss disputes over the land border and demarcation of the Gulf of Tonkin. "Establishment of these three expert groups will help create conditions for the settlement of the problems in Sino-Vietnamese relations," Chinese Foreign Minister Qian Qichen said. "The leaders of the two sides have expressed the hope that through negotiations, these problems will be gradually resolved."

French foreign minister visits

French Foreign Minister Alain Juppe arrived in Hanoi on 22 November for a 4-day visit to discuss trade, aid, investment, bilateral issues and "to reaffirm that France is ready to give its relations with Vietnam a completely privileged character." The talks between Juppe and Vietnamese Foreign Minister Nguyen Manh Cam centered on intensifying cooperation between the two countries, and covered issues of French government support, from the development of democracy



and human rights in Vietnam to participation in the World Trade Organization and the Asia-Pacific Economic Cooperation (APEC) group. Juppe committed his government to extend aid to Vietnam in 1995 at a level equal to that of France's aid in 1994, which was 425 million francs (US\$80 million) in grants, soft loans and private credits. He also cited infrastructure, energy, telecommunications and food industries for prospective French investment projects.

Elections held

On 21 November, 4,759 candidates ran for 3,109 seats in People's Council elections held in provinces throughout Vietnam. Voter turnout was over 99% in 5 provinces, and between 98 and 99% in 20 provinces. The province experiencing the lowest turnout was Cao Bang, near the Chinese border, with 90% of the population participating in the elections. There were 33 candidates running as independents, all of whom required official government approval. The remainder were Communist party members nominated by Vietnam's Fatherland Front organizations.

More foreign borrowing

In a 20 November report in *Vietnam News*, Cao Si Kiem, the Governor of Vietnam's State Bank stated that the government is considering borrowing from abroad to make up for disappointingly low levels of domestic investment. According to Kiem, Vietnam needs 42 trillion *dong* (US\$3.8 billion) in investment this year in order to achieve forecasted economic growth of 8.5%. Officials planned for two-thirds of investment to come from Vietnamese sources, but, as of mid-1994, only 5.1 trillion *dong* (US\$463 million) had been raised domestically. Given fluctuating interest rates, high banking fees and Vietnam's commitment to IMF limitations on commercial borrowing, Kiem described the reality as "a bitter pill to swallow," and said that, "if this situation holds, long-term borrowing from foreign countries will have to increase." Vietnam's only commercial loan since signing an IMF structural adjustment agreement was a US\$100 million package from a syndicate of Western and Asian banks in June 1994 [see *Digest*, 10 Jun].

Kiem also dampened hopes for establishing Vietnam's stock market any time soon. "The current conditions are not yet adequate to support an economic environment involving company shares and the sale of shares and bonds," he said. Kiem pointed out that prerequisite economic civil and commercial laws, including regulation and guarantees to buyers and sellers, had not yet been established.

Before AFTA

In January 1995, a delegation of senior ASEAN economic officials will visit Vietnam to look into the country's possible participation in the ASEAN Free Trade Area (AFTA). The group will focus specifically on customs valuation, customs procedures, information and documentation, and harmonization of tariff systems. According to Kanitsorn Navanukok, deputy director of Thailand's business economics department: "If Vietnam wants to join AFTA, it

must adjust the current patterns of its economy. The system may not be the same as the ASEAN system, but it must somehow work within that framework." Vietnam, which has observer status with ASEAN, has applied for full membership [see *Digest*, 28 Oct], and final approval is anticipated in time for the 1995 ASEAN summit meeting in Thailand.

CAMBODIA

KR massacre Thais

At least 24 Thais working at a logging concession in Preah Vihear province were massacred by suspected Khmer Rouge guerrillas on 21 November after failing to meet a ransom demand. According to a survivor, he and 32 other Thai lumberjacks were working in an area 25 miles south of the Thai border when they were confronted by a force of about 100 heavily armed guerrillas. The guerrillas demanded 5 million *baht* (US\$200,000) in ransom. "We gave them 300,000 *baht* (US\$12,000) but the Khmer Rouge refused it," the survivor noted. "Then they made us walk into the forest for one kilometer and they fired on us from the back."

UN reps say prisons improved

Following a 3-day visit to Cambodia, UN Special Representative on Human Rights, Judge Michael Kirby, said in a 21 November speech before the UN General Assembly that there have been major improvements in prison conditions. He applauded the Cambodian government for these improvements and expressed hope that its response to further proposals will be equally impressive.

Kirby said that while positive changes had occurred since his visit in July, the government still faces many challenges in enforcing the rule of law. Referring to reports of military executions at an unofficial holding center in the north, Kirby said: "There must be no secret prisons and those responsible for punishment of people outside the legal system must be brought to book. That means bringing powerful elements in the community, including the military, under the control of the legal system."

Border demarcation commission

On 22 November, Cambodia's Minister for Industry and Energy, Pou Sothirak, told *Reuters News Agency* that Cambodia plans a national commission to supervise negotiations on maritime and land borders with Thailand. The issue is considered a major foreign policy priority for Cambodia because of the recent discoveries of promising oil and gas reserves in the Gulf of Thailand, where Cambodia's offshore exploration leases overlap with areas claimed by Thailand. "If we can realize the mutual benefits for the nation, the government can contact the Thai government to establish common cooperation in the area and share the output 50-50," Sothirak said. The commission will be chaired by Ranariddh and Hun Sen.



Czech-ered tanks

On 23 November, a Czech foreign ministry spokesman in Prague confirmed that a shipment of 40 Czech tanks was on its way to Cambodia. The spokesman was responding to an inaccurate report that the Cambodian government agreed to buy 100 of the Soviet-designed tanks. "We approved such [exports], but not 100, only 40 T-55 tanks," he said. The sale was approved under the Czech Republic's 4-step arms export process, which requires the ministries of defense, interior, foreign affairs and industry to each give their consent.

REGION

Mekong basin pact

On 23 November, the UN Development Program (UNDP) announced that senior government officials from Cambodia, Laos, Thailand, and Vietnam will meet in Hanoi on 28-29 November to finalize a cooperation agreement on the development of the Mekong River. The development plan will manage resources on the river for purposes such as irrigation, hydro-power generation, navigation, flood control, fishing, timber-floating, recreation and tourism.

According to UNDP, "the 4 countries pledge cooperation on the basis of sovereign equality and territorial integrity in the use and protection of the Mekong River Basin. They will also pledge to minimize the harmful effects that might arise from their commercial activities on the river, and to protect the river's environment, aquatic life and ecological balance and avoid activities that may jeopardize the quality and quantity of the Mekong's waters."

REFUGEES

Australia deports boat people

On 17 November, the Australian government deported 57 Vietnamese boat people to Galang migrant detention center in Indonesia, when they "failed to meet the definition of a UN refugee," according to Australian Immigration Minister Nick Bolkus. The 57 were held in a detention center in Port Hedland since escaping to Australia from Galang in September and October of this year.

Australia has resettled over 17,000 refugees since 1989, and has previously been viewed as more lenient toward the Vietnamese boat people. Since 1989, 1,000 boat people have sailed directly to Australia. On 20 November, 118 new arrivals were brought to Port Hedland.

Largest repat flight departs HK

A group of 70 Vietnamese boat people were deported from Hong Kong on 25 November aboard the single largest repatriation flight from the British colony since repatriation efforts began. In the past 3 years, a total of 985 people have been returned to Hanoi. Although UN refugee officials set the end of 1995 as a target date to have Hong Kong's detention camps emptied of Vietnamese, refugee coordinator Brian Bresnihan said that due to difficulties in the repatriation effort, that goal will not be met. According to UN officials, the number of Vietnamese willing to return has increased in recent months. Currently, about 1,300 boat people await repatriation flights, with the next flight scheduled to take place early next year.

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