



Indochina

Digest

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TRADE/INVESTMENT

Vietnam vehicular updates

◆ **Automakers welcomed** - In a recent interview with the *Vietnam Investment Review (VIR)*, Vice-Minister of Heavy Industry Nguyen Xuan Chuan said Vietnam will encourage direct foreign investment by major automakers, provided that they pledge to boost local content in their manufacturing operations. Previously, Vietnam asked automakers to link up with its existing automobile assemblers, Vietnam Motors Corp. (VMC) and the Mekong Corp. Chuan said VMC and Mekong failed to sign up any big automobile manufacturers as partners. He also questioned when they would use locally made parts, adding that they increased prices at will and had weak sales networks. Chuan told *VIR*, "We have high hopes for the big automakers as they will be real manufacturers, not assemblers....If 20% of the car value is produced in Vietnam, we will save around US\$300 million. And we will create thousands of jobs." Chuan said Prime Minister Vo van Kiet told the Ministry of Heavy Industry "to consider all possible car projects before the end of 1995."

◆ **Oh Lord, won't you buy me...** - On 8 December, Singapore's *Business Times* reported two Singapore companies will hold a combined 22% share of a US\$70 million venture to build Mercedes cars, small buses and light trucks in HCMC, and later in Hanoi. Germany's Daimler-Benz will hold a 53% share of Daimler-Benz Vietnam Investments Singapore, with Indonesia's Salim Group (12.5%), Autostar (12.5%), Singapore's Sembawang Group (11%) and the Economic Development Board of Singapore (11%). Autostar, incorporated in the British Virgin Islands, is a subsidiary of Hong Kong's Peregrine Group and is Daimler's exclusive agent for passenger cars in the southern part of Vietnam.

◆ **Honda sees big business in bikes** - Japan's Honda Motor Corp. expects to sign a memorandum with a Vietnamese partner this month to conduct a feasibility study to open a motorcycle plant. Fumitomi Suda, a Honda representative, said that the motorcycles would be initially produced for local use, although "in the future, we would like to export to Laos, Cambodia, and some other countries." He added that Honda would hold off on producing cars until the market becomes more mature.

◆ **More Franco-Italian planes** - On 14 December, Vietnam Airlines took delivery of two more ATR-72 turboprop planes from Avions de Transport (ATR), which were ordered last September. The airline received its first two ATR-72s in May 1992 [see *Digest*, 5 Jun 92]. ATR is a joint venture between France's Aerospatiale and Italy's Alenia SpA.

Vietnam updates

◆ **Plant plans cemented** - Taiwan's Universal Cement Corp. has signed letters of intent to build two cement factories in Vietnam: one in the north, capitalized at US\$200 million with a projected annual capacity of 1.2 million tons; and one in the south, capitalized at US\$180 million with a projected annual capacity of 1 million tons. Universal currently has two factories in Taiwan that combined produce 1.5 million tons of cement per year.

◆ **Face-lift for Saigon** - Taiwan's Central Trading and Development Group (CT&D), together with the HCMC People's Committee, will invest more than US\$600 million to eventually form a new town near HCMC [see *Digest*, 25 Jul]. Saigon South, which is expected to be completed early next century, will have a population of about 300,000 and is slated to include an exporting processing zone (EPZ), new residential and business complexes and a five-star hotel. Global investments in the town could reach US\$2 billion. An 11 mile road linking the two ends of the new town and a road that will encircle the entire city are being planned.

◆ **US industry emerging from its cocoon** - Caterpillar Inc. launched its operations in Vietnam last week with the creation of V-TRAC. Caterpillar, which holds an equity interest, will contribute by selling, leasing, renting and maintaining its heavy equipment. V-TRAC is expected to play a large role in improving Vietnam's infrastructure. Another American company, Caltex, also opened offices in Hanoi and HCMC last week. Caltex, an oil company, is returning to Vietnam after nearly 20 years. Its new offices will investigate investment prospects in the downstream oil sector and will promote various Caltex products.

◆ **Bangkok Bank branches out** - Thailand's Bangkok Bank will open its second Vietnamese branch in Hanoi next week. The first branch, operating in HCMC, opened in 1992 [see *Digest*, 24 Jul 92]. France's Credit Lyonnais is the only other foreign bank with branches in both Hanoi and HCMC.

◆ **Spain's grinding influence** - Under a new joint venture with a Spanish firm, Vietnam will export roast and ground coffee for the first time. Spain's Jurado Company agreed last week to establish a US\$1 million factory in Nha Trang, where Centrimex, the Vietnamese partner company, is based. The joint venture has applied for approval from the State Committee for Cooperation and Investment.

◆ **Cotton acreage doubled** - Vietnamese farmers have planted 17,000 hectares with cotton this year, double last year's figure (and a record), the official *Vietnam News Agency* reported. The government is trying to develop cotton, a non-traditional crop, and the state-owned Vietnam Cotton Company guarantees to buy all output from growers.

**Cambodia updates**

◆ **UNOCAL** - On 13 December, John Imle, president of the US oil firm UNOCAL, said the company is seeking an exploration license in Cambodia. Imle arrived in Cambodia on 12 December for a 3-day visit with a 7-member delegation, including the managing director and a former chairman and president of Mitsui Oil Exploration Co. Mitsui will act as a joint venture partner to UNOCAL in any successful exploration bid. Cambodia's Vice Minister for Industry Nheb Bun Chin said UNOCAL is one of 14 companies competing for gas and oil exploration licenses on four new blocks, three offshore and one on land.

◆ **Casino contract** - On 12 December, a spokesman for the Tourism Ministry said Malaysia's Ariston company was selected to develop a US\$1 billion casino resort on Naga Island, off the shore of Sihanoukville [see *Digest*, 25 Nov]. Ariston is affiliated with Malaysia's FABC Bhd., a property and construction company, and Kazan Bhd., which is involved in manufacturing and investment. Contract terms include a 70-year lease and an 8-year tax-exempt period, after which a 9% corporate tax will be levied. Tourism Minister Veng Sereyvuth said Ariston "submitted a very interesting proposal involving the development of two casino resort islands, a floating casino, Sihanoukville International Airport and extensive other infrastructure." Sereyvuth said a casino law will be presented to the National Assembly later in December. Cambodian nationals will be forbidden to gamble at the resort.

◆ **Grand hotel restoration** - Singapore's DBS Land, which owns the Raffles Hotel in Singapore, signed a US\$30 million agreement to restore the Grand Hotel in Siem Reap, near Angkor Wat. The renovation plan is to convert the 60-room hotel, built in the 1920s, into a 5-star, 300-room hotel. Restoration rights were withdrawn from the Thai-owned SK Air in October when it failed to fulfill its contract [see *Digest*, 14 Oct]. DBS also has a US\$25 million contract to restore the Royal Hotel in Phnom Penh [see *Digest*, 23 Sep].

VIETNAM**Debt advisors**

On 12 December, the State Bank announced it appointed the Bank of Tokyo and the Australia and New Zealand Banking Group (ANZ) to serve as advisors for restructuring Vietnam's medium-and long-term commercial bank debt. A State Bank official said the bank owes money to about 40 commercial banks. Foreign bankers estimate Vietnam's commercial bank debt at US\$700- US\$800 million, with over half in arrears and some debt going back to the 1970s.

Third oil spill

About 37,000 liters (9,775 gallons) of diesel fuel spilled into the sea at Binh Dinh province when a pipeline from a tanker to a storage tank broke. The 15 December edition of *Vietnam News* reported that authorities have started environmental protection measures and an inquiry to establish the cause of the break. This is the third oil spill this year [see *Digests*, 7 Oct & 13 May].

ADB irrigation loan

On 13 December, the Asian Development Bank (ADB) approved a US\$60 million interest-free loan to improve drainage and irrigation systems in the Red River Delta. The plan is to restore or upgrade 20 to 30 small-scale and medium-scale irrigation systems that deteriorated due to lack of funds for maintenance. The loan is repayable over 40 years, with a 10-year grace period, and carries a 1% annual service charge.

Copyright® law passed

On 13 December, National Assembly President Nong Duc Manh signed an ordinance on copyright protection. The law covers books, films, music and computer software. However, for foreigners to qualify for protection, they must begin selling their publications and products in Vietnam within 30 days after they put them on sale anywhere else in the world. Computer software firms in particular want to protect their copyrights in the rapidly growing Vietnamese computer market. Tanya Pullin, an intellectual property rights lawyer with the US firm White & Case advocates Vietnam join the Berne convention on copyrights. Pullin believes the new law is good, "in most ways, but until they join Berne, the 30-day rule is a big loophole." When Vietnam joins the Berne convention, it will be compelled to comply with international standards of copyright protection.

Firecracker ban plan

On 13 December, the state radio said local policemen will be responsible for enforcing a ban on firecrackers, which goes into effect on 1 January. The radio said the ban will be strictly enforced, and policemen will have "to take responsibility for any cases of producing, transporting, trading or burning firecrackers that are contrary to the government's decision." The firecracker ban was announced in August after 71 people were killed and over 700 people were injured during last February's *Tet* celebrations [see *Digest*, 12 Aug]. The *Lao Dong* newspaper reported that authorities plan to detonate US\$1.3 million of explosive material at three villages at Binh Da, west of Hanoi, where firecrackers are a major industry.

Trawler tales

◆ **Vietnamese boats released** - On 3 December, *Xinhua* reported that the Royal Thai Navy returned seven Vietnamese trawlers and 66 detained crew members seized in Thai territorial waters in October [see *Digest*, 14 Oct]. A Thai officer said there was no evidence to prove the detained Vietnamese were pirates, and they had completed their jail terms for illegally fishing in Thai waters. The navy hopes its treatment of the Vietnamese crew will encourage Vietnam to treat Thai fishermen in the same way.

◆ **Thai boats seized** - On 12 December, *Xinhua* reported that four Thai boats fishing 360 kilometers east of Songkhla were captured and taken to Vietnamese waters on 10 December. Thai sources said five boats were surrounded by armed Vietnamese vessels, allegedly run by pirates, and four were seized while the fifth managed to escape.

**CAMBODIA****ADB power loan**

On 15 December, the Asian Development Bank (ADB) approved a US\$28 million interest-free loan to help improve power generation and distribution facilities in Phnom Penh, Sihanoukville, and Siem Reap. The loan has a repayment period of 40 years, including a 10-year grace period. The ADB also approved a US\$500,000 technical assistance grant to provide training to the staff of Electrcite du Cambodge.

World Bank technical assistance

The World Bank signed an agreement to provide the Cambodian government US\$17 million in technical assistance, Finance Minister Keat Chhon announced on 16 December. Chhon said the money would be used to provide technical assistance, training, and equipment for civil service reform and "to provide a legal environment conducive to the development of the private sector." He expressed hope that the agreement would demonstrate the benefits of technical and financial assistance to Cambodia, and that the country will be able to secure US\$335-US\$350 million from international donors in 1995.

Australia to offer rice aid

Australia will offer 10,000 tons of rice to Cambodia in response to an urgent request from the Cambodian government, Australia's development cooperation Minister announced on 15 December. The food assistance, worth A\$5.4 million, is expected to ease rice production shortfalls of around 100,000 tons caused by drought, floods, and civil unrest.

Journalist killed

On 8 December, Chan Dara, 28, a journalist with the *Koh Santepheap* (Island of Peace) newspaper was shot twice in the back and killed after leaving a local restaurant in Kompong Cham province. According to Dara's editor, Thong Uypang, Dara said he was being threatened by local officials and was warned to stop his investigations into military involvement in the timber trade. Uypang said Dara was killed for "political reasons." On 12 December, Information Minister Ieng Mouly announced that a military officer was arrested on suspicion of the murder. Dara is the third Cambodian journalist to have been killed this year, and his death has caused an outcry from several human rights groups, including Amnesty International.

KR kidnapping

Authorities in Siem Reap province said Khmer Rouge guerrillas abducted 38 people from the villages of Sen Seb and Kroch Kor on 8 December. The kidnappings took place in an area where the Khmer Rouge are reported to have massacred 97 people last month [see *Digest*, 25 Nov]. "We feel worried about their fate because some of the kidnapped people are teachers," Siem Reap Vice-Governor Nouv Som said. Teachers have been targeted in Khmer Rouge radio broadcasts.

More Thai skeletons found

On 12 December, *Reuters News Agency* reported Cambodian troops discovered the skeletons of another five Thai forestry workers, who were among the 33 Thais captured and shot on 22 November, allegedly by the Khmer Rouge [see *Digest*, 25 Nov]. Ten of the workers, some with gunshot wounds, managed to escape, while the remains of 17 were found three days after the incident [see *Digest*, 2 Dec]. The fate of one worker is still unknown. The Khmer Rouge have denied killing the loggers.

Vietnamese killed

On 7 December, two ethnic Vietnamese fishermen were killed and two others were wounded in Preak Ampil village, Khsach Kandal district of Kandal province. The Vietnamese Embassy in Phnom Penh has protested the killings, which have also been condemned by human rights groups, including the influential Khmer Institute of Democracy.

US POLICY**Vietnam property claims resolved**

On 9 December, the US and Vietnam initialed a preliminary agreement to settle the issue of diplomatic property claims. The formal agreement is expected to be signed by top officials of both countries next month after completion of additional paperwork and approval of the Vietnamese translation. The agreement covers 36 diplomatic properties of the US in Vietnam, and the former South Vietnamese embassy building in Washington. The agreement clears the way for final arrangements to open liaison offices between the two countries in Hanoi and Washington. While the agreement only covers the issue of diplomatic property, and not the issue of US nationals' claims against Vietnam for property lost in 1975, sources say the private claims were discussed along with the government claims, and an agreement is expected shortly.

Senator supports increased trade

Senator Frank Murkowski (R-Alaska) and Senator Paul Simon (D-Illinois) paid a 3-day visit to Vietnam on 13-15 December. At a press conference on 14 December, Murkowski said the pace of establishing US trade ties with North Korea should be matched in Vietnam. "There's an inconsistency in our foreign policy...We've had a long relationship with Vietnam, set up certain procedures, and still haven't opened up trade to any degree. On the other hand, we seem to be moving an awful lot faster with North Korea, a country we really haven't had much experience with, and I find that a bit inconsistent." Murkowski said he supports granting Vietnam most favored nation (MFN) trading status once the issue of financial claims against Vietnam is resolved. On the issue of MIAs, Murkowski said: "Every report we've had indicates that [the Vietnamese] are cooperative." Regarding normalization of relations, Murkowski said: "I wouldn't be surprised to see something significant happen in 1995." Murkowski is slated to be the next chairman of the Subcommittee on East Asia and Pacific Affairs of the Senate Foreign Relations Committee.



REGION

Mekong tourism

Representatives of the six riparian nations of the Mekong River met for a 5-day seminar in Kunming, China to discuss ways to increase exchanges and cooperation to develop tourism on the river. Representatives from Burma, China, Cambodia, Laos, Thailand and Vietnam attended the seminar, which was sponsored by the UN Economic and Social Commission for Asia and the Pacific and the Asian Development Bank (ADB). The countries plan to cooperate on infrastructure projects and tourism facilities and to seek economic and technical help from other parts of the world.

REFUGEES

Updates

◆ **Hong Kong tells Brits to take all** - On 7 December, Hong Kong legislators demanded that Great Britain find homes for all Vietnamese boat people in the colony, or take them itself before the territory reverts to China in July 1997. The Legislative Council motion stated, "The British government should negotiate with the Vietnamese government specific arrangements for speeding up the repatriation of the boat people stranded in Hong Kong and take in before 1997 those who are rejected." Rob Brook, an attorney for Refugee Concern, said: "I think the proposal [of the Hong Kong legislature] was rooted in racism or ignorance or both. There are only about 23,000 of them. It's not such a big problem if they're integrated into the community. It's a fairly minuscule number." Brook added the motion was impractical because

it might offer boat people false hope that if they refuse to return to Vietnam, they could be resettled in Britain.

◆ **More released in Hong Kong** - On 13 December, under threat of a lawsuit, another 16 Vietnamese boat people were released from "closed" camps to "open" camps where they can seek jobs and live in Hong Kong. In November, 125 Vietnamese were released to open camps [see *Digest*, 18 Nov]. The 16 include 14 boat people who lived in China after leaving Vietnam before arriving in Hong Kong, and two Vietnamese spouses. Neither Vietnam, which considers them Chinese nationals, nor China, which charges they have no right of residence, will accept boat people in this category. The rights group Refugee Concern threatened legal action, stating that their continued detention was unlawful.

◆ **Repatriation** - On 12 December, a group of 132 Vietnamese returned to Vietnam from Indonesia, with an additional 120 scheduled to depart on 29 December. About 7,000 boat people still remain in Indonesia. On 13 December, 176 boat people returned from Hong Kong and on 16 December, 247 boat people returned, bringing the total number repatriated in 1994 to 5,212. The number of boat people remaining in Hong Kong is 22,857.

FYI

Indochina Financial Digest

The 9 December issue of the *Indochina Digest* included a supplement containing financial information on the region. The *Indochina Financial Digest* will be a periodic insert in the regular weekly publication. Reader comments and suggestions on the supplement are welcome.

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