



Indochina

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TRADE/INVESTMENT

Vietnam foreign investment figures

During 1994, the State Committee for Cooperation and Investment (SCCI) approved 365 foreign investment projects, a 30% increase over 1993. The approved projects represent investment capital of US\$3.7 billion, bringing the total amount of foreign investment pledged since 1988 to US\$10.9 billion. Of the amount pledged, US\$3.5 billion (32.1%) has been dispersed so far.

Singapore companies were the largest investors in 1994, with 29 projects worth US\$598 million, followed by Hong Kong with 48 projects worth US\$547 million. Taiwan remained the largest foreign investor since 1988 with projects worth US\$1.9 billion, followed by Hong Kong with US\$1.55 billion, Singapore with US\$1.05 billion, and South Korea with US\$860 million.

Vietnam investment procedures revamped

On 28 December, Vietnam passed a new decree giving the prime minister control of approving major foreign investment proposals, and including those in sensitive areas such as national defense, the press, and publishing. The prime minister will now have to give final approval for projects in five categories:

- ◆ Industrial parks, export processing zones, and build-operate-transfer (B.O.T.) projects.
- ◆ Projects with investment of more than US\$40 million in key industries, such as electricity, mining, oil and gas, cement, chemicals, engineering, electronics, sea ports, airports, telecommunications, and tourism.
- ◆ Cultural, press, and publishing projects.
- ◆ Projects dealing with national defense and security.
- ◆ Real estate projects using more than five hectares (12.5 acres) of urban land.

Under the new decree, the State Committee for Cooperation and Investment (SCCI) must send recommendations from relevant ministries on each proposal to the prime minister within 50 days of when the project documents were received. The goal of the new regulation is to help streamline Vietnam's approval system, which foreign investors have criticized as being too cumbersome.

Vietnam updates

◆ **Long Binh to become industrial park** - The State Committee for Cooperation and Investment (SCCI) has approved a US\$46 million project to develop an industrial zone at an area that formerly housed the US military base at Long Binh, 30 km north of HCMC. Thailand's Bangpakong Industrial Park company will hold a 70% share of the joint venture project, with Vietnam's Bien Hao Industrial Zone Development Company holding the remaining 30%.

◆ **Coffee exporters reduced** - On 3 January, the Ministry of Trade reduced the number of authorized coffee exporters from 100 to 23 in an effort to strengthen the competitiveness of Vietnam's coffee on the world market. "The reduction would be the first positive move made by the government in order to consolidate the exporting system and to limit unhealthy competition in the coffee business," a trade official said. With the large number of coffee exporters, small exporters were selling export licenses to larger ones for commissions, and foreign partners were able to force down coffee prices due to oversupply. "In reality, about 20 big exporters shared 80% of the total coffee export volume," the official said. During the 1993/94 crop season, Vietnam exported 2.642 million 60-kilogram bags of coffee beans, and is expected to export 3 million bags in the current 1994/95 crop season.

◆ **South Korean bank** - On 3 January, Vietnam approved a license for South Korea's Shinhan Bank to open a branch office. A spokesman said the bank expected to open its branch in HCMC on 1 June. Shinhan is the 14th foreign bank branch licensed in Vietnam, and the first South Korean bank branch. South Korea's First Korean Bank is a partner with a local bank in First Vina Bank, one of Vietnam's three joint venture banks, but it does not have its own branch.

◆ **Malaysian steel venture** - On 3 January, Malaysian firm Nam Fatt Bhd. announced a joint venture with Vietnam's Sonadezi Bien Hoa to construct a steel works plant at the Bien Hoa Industrial Zone, north of HCMC in Dong Nai province. Nam Fatt owns a 70% stake in the new company, Viet-NamFatt Co. Ltd., which is capitalized at US\$2.73 million. Viet-NamFatt will provide the design, fabrication, construction, and erection of contractual steel works.

◆ **Investment fund** - The Beta Viet Nam Fund Ltd. issued a substantial security holder's notice to the New Zealand Stock Exchange that it has taken a 13.71% stake in Iddison Group Vietnam Ltd., as of 22 December. Iddison is a Vietnam investment and development company which floated its stock on the New Zealand Stock Exchange on 7 October [see *Digest*, 30 Sep].



Cambodia foreign investment

On 30 December, First Prime Minister Norodom Ranariddh released a statement saying that since Cambodia passed its new foreign investment law on 4 August [see *Digest*, 5 Aug], it has approved foreign investment projects totalling more than US\$2 billion. Malaysia is the largest foreign investor, with projects that include the US\$1.3 billion tourism development project in Sihanoukville [see *Digest*, 16 Dec].

Royal Air Cambodge updates

♦ **Airline launched** - On 2 January, Cambodia's new national carrier Royal Air Cambodge (RAC) made its inaugural flight to Kuala Lumpur [see *Digest*, 30 Dec]. Buddhist monks blessed the aircraft, and First Prime Minister Norodom Ranariddh gave a speech, referring to the former RAC, which operated until the early 1970s, when it was shut down by the Lon Nol government. "Royal Air Cambodge was one of the major national carriers in Southeast Asia," Ranariddh said. "Today, Royal Air Cambodge stretches its wings once again."

♦ **CIA to sue** - On 6 January, the *Cambodia Daily* reported that Thai-owned Cambodia International Airlines is preparing to sue the Cambodian government for US\$100 million in damages and lost revenue for its sudden closing of the airlines last month [see *Digest*, 23 Dec]. "We are preparing to bring legal action against the Cambodian government to compensate CIA, passengers and the public," a CIA official said. CIA said the two-day closure notice left approximately 35,000 bookings invalid.

The government and the civil aviation authority say that CIA had ample warning of its impending closure, and that it was aware it was operating under a temporary license. The secretary general for the Cambodian Development Council said the government was willing to transfer tickets from stranded CIA passengers to the new Royal Air Cambodge (RAC), if CIA would pay the difference in fare. Tickets for RAC are expected to be significantly more expensive than those of CIA and the other Thai-owned airlines, SK Air.

VIETNAM

Economic growth

Figures for 1994 indicate Vietnam's economy continues to grow. Economic growth reached 8.8%, taking Gross Domestic Product to 170 trillion *dong* (US\$15.4 billion). Economic growth for 1993 was 8%. The target for 1995 is 10%. Inflation rose to about 14% in 1994, up from 5.2% in 1993. Industrial output increased 13.5% and grain output reached 26 million tons, a 2% increase over 1993. Provisional figures indicate total foreign exchanges reached US\$7.8 billion, generating a trade deficit of about US\$600 million. During 1993, Vietnam had a US\$9.39 million deficit on trade of US\$6.9 billion.

Another animalic anomaly?

On 4 January, the *Vietnam News* reported that villagers in Thua Thien-Hue province photographed a goat-like animal that could be the third new species discovered in Vietnam in as many years. Vo Quy, director of the Center for Natural Resources and Environmental Studies at the National University said the villagers captured two of the animals, a mother and baby, and sent a photograph to the university. The mother was killed in a trap, and the baby died shortly after. "It's kind of a goat, but a little bit strange," Quy said. "I don't know if it's a new species or not. But it looks like a new species." The university plans to retrieve the bones and skin for further study. Two new species of animals were discovered in the mountainous jungle region near Laos, the *Sao La* (Vu Quang ox) in 1992, and the Giant Muntjac deer in 1994.

Former PM: 'keep it simple'

On 31 December, former Prime Minister Pham van Dong published an article in the French daily *Le Courrier du Vietnam* urging organizers in charge of anniversary celebrations in 1995 to avoid extravagant ceremonies, long speeches, and too much food. Organizers should "avoid formalism, exhibitionism, solemn and costly ceremonies, lengthy speeches, futile and empty publications launched with great fanfare, and finally, endless feasts," Dong said. During 1994, Vietnam's "year of anniversaries," the country will celebrate the 50th anniversary of its declaration of independence from France on 2 September 1945, the 20th anniversary of its victory over the Saigon government on 30 April 1975, the Communist Party of Vietnam's 65th anniversary on 3 February, and Ho Chi Minh's 105th birthday on 19 May.

Hanoi's first AIDS death

On 3 January, *Lao Dong* reported a 46 year-old woman died of AIDS on 30 December, the first in Hanoi, and Vietnam's 49th victim of the disease. The woman was infected by the HIV-virus last April, and developed AIDS in September. The National AIDS Protection Committee said the number of Vietnamese who have tested HIV-positive rose to 2,177 and the number with confirmed AIDS cases rose to 131 by the end of 1994. Most AIDS deaths have occurred in HCMC.

Minimum wage hike sought

On 30 December, *Tuoi Tre* reported the trade union, Vietnam Confederation of Labor, has proposed an increase in the minimum wage in companies with foreign investment in its annual report to the prime minister. The union proposed an increase to between US\$40 and US\$50 per month. Current minimum wages for foreign-invested companies is US\$35 in Hanoi and HCMC, and US\$30 in the rest of the country. The union also recommended an across-the-board increase in the minimum wage from US\$10.90 per month to US\$12.75 beginning next April.



Indochina Financial Digest

WORLD BANK PROJECTS PIPELINE FOR INDOCHINA

This chart lists only new projects and changes or revisions to existing projects
Changes are in bold type

PROJECT	DESCRIPTION	STATUS	AMT	CONSULTANTS	IMP AGENCY
CAMBODIA					
Technical assistance	Improve economic management, enable environment for private sector development	Negotiations completed	17 (IDA)	Will be required	Ministry of Economy and Finance
Power sector rehabilitation	Rehabilitate/reinforce Phnom Penh's distribution system, provide tools and equipment, technical assistance	Appraisal mission sched for Dec '94	40 (IDA)	Japanese grant to fund consulting svcs in eng., enviro., regulatory work	Electricite du Cambodge (EDC)
Economic recovery credit	Structural reforms in public investment, debt mgmt, expenditure mgmt, administrative reform	Preparation mission is in the field	50 (IDA)	Not required	Cambodian Development Council
LAOS					
Land titling	Issue land titles, improve land management	Project preparation began Nov '94	20 (IDA)	Selection of consultants has been completed	Ministry of Finance
Training and capacity-building	Develop human resource base: scholarships, twinning and training programs; increase ability of training system to meet labor market needs	Project preparation delayed	10 (IDA)	Will be required	Ministry of Education
Health system reform and malaria control	Reduce infant mortality by: reorganizing health system in 2 provinces, strengthening malaria control in 8 provinces, improving health education activities	Negotiations completed	17.6 (IDA) 2M from Belgium	Technical assistance for implementation will be provided under PHRD financing	Ministry of Health and Social Welfare
Highway improvement II	Increase maintenance capacity of system, upgrade 135km of Route 135, provide technical assistance and training	Credit signed on July 20, 1994	30 (IDA)	Req'd: tech. assistance in road maintenance, construction industry, project supervision	Ministry of Communication, Transport, Post and Construction
VIETNAM					
Irrigation rehabilitation	Rehabilitate and complete 5-7 irrigation schemes; institutional strengthening of the Ministry of Water Resources	Appraisal mission completed	100 (IDA)	Will be required for design, construction supervision	Ministry of Water Resources
Higher education reform and consolidation	Focus on policy, management and admin; encourage autonomy and accountability; support institutions	Preparation mission completed	50 (IDA)	To be determined	Ministry of Education and Training
Banking system modernization	Establish computerized payments system	Pre-appraisal missions sched for Dec '94	50 (IDA)	Japanese grant for project preparation consultants	State Bank of Vietnam
National health services	Improve gov't ability to address changes in sector. Tech. assistance, medicines, equipment, malaria and AIDS control, health technology	Pre-appraisal mission completed	70 (IDA)	Req'd: tng, mgmt info systems, supervision, equipment procurement	Ministry of Health
Population and family health	Family planning and health services, institutional strengthening, develop analytical capacity	Pre-appraisal mission sched for Nov '94	100 (IDA)	Japanese funded consultants assisting project preparation	National Committee for Population and Family Planning
Power sector rehab and expansion	Rehabilitate and expand distribution and load dispatch systems in south and central VN, convert gas turbine to combined cycle at Ba Ria	Appraisal report completed	165 (IDA)	Req'd: for project management of all components	Power Co. # 2 HCMC



Highway rehab II	Rehabilitate 300km of Highway I, to include bridges and provision of road maintenance equipment	Pre-appraisal mission sched for April '95	150 (IBRD)	Req'd: supervision, feasibility, engineering studies, tech. asst, tng	Ministry of Transport
Structural adjustment credit	Provide balance of payments support, public sector management assistance and support for institutions that will support the evolving market economy	Approved and credit signed in Oct '94	150 (IDA)	Req'd: prepare public investment program, auditing comm banks, public expend. review	State Bank of Vietnam
Water supply	Increase capacity and rehabilitate water supply systems in 4 cities, construct treatment plant, upgrade distribution systems, construct pumping stations, improve solid waste management in 2 cities	Pre-appraisal mission sched for Feb '95	125 (IDA)	Consultant services will be financed through bilateral donors	Ministry of Construction

- * Project Pipeline provides status of World Bank projects in Indochina
- * Amount is in millions of US dollars unless otherwise indicated
- * Consultants column indicates the need for participation of external consultants
- * Imp Agency is the implementing agency within the country. These agencies determine the need for consultants and are responsible for accepting bids and selecting consultants
- * Contact the Indochina Project [ph: (202) 483-9222, fax: (202) 483-9314] for phone/fax/address of implementing agency

VALUE OF THE US DOLLAR IN INDOCHINA

	Cambodia (Riel)	Laos (Kip)	Vietnam (Dong)
12/23/94	2,608	726	10,972
12/30/94	2,593	721	11,080

Rates of exchange for 1 US dollar. Rates are indicative and not intended to be used as a basis for particular transactions.
source: Bank of America Global Trading, London

VIETNAMESE DEBT SECONDARY MARKET PRICES

Date - Price in US\$ (bid/offer)	1/5/94 - \$0.64/\$0.66	12/22/94 - \$0.665/\$0.685	12/1/94 - \$0.655/\$0.675

Price for Vietnam's secondary debt paper. The instruments are DM denominated bank loans traded on the secondary market. The prices quoted are US dollar per one nominal value. source: ANZ Merchant Banking

SECURITIES QUOTATIONS FOR INDOCHINA

	1/5/95 £ 34 7/8	12/6/94 £ 34 5/16	10/31/94 £ 31 23/32
Beta Vietnam Fund - price in sterling per unit (unit consists of 5 shares and a warrant)			
Vietnam Frontier Fund - net asset value per share (partially paid in)	Not avail since 11/30/94	11/30/94 US\$ 4.97	10/31/94 US\$ 4.99
The Vietnam Fund Ltd. - net asset value per share (fully paid in)	Not avail since 11/30/94	11/30/94 US\$ 10.68	10/31/94 not avail
Templeton Vietnam Opportunities Fund - price per share	1/5/95 US\$ 11 5/8	12/6/94 US\$ 13 5/8	10/31/94 US\$ 13 7/8

1994 ECONOMIC FIGURES FOR INDOCHINA

Figures are preliminary estimates of economic activity for 1994

VIETNAM	Economic Growth: 8.8% Inflation: 14% GDP: US\$ 15.4 billion Foreign Investment: 365 licenses granted for US\$ 3.7 billion
CAMBODIA	Inflation: 7.9% (Oct 94) - compared with 31% in December of 1993 Foreign Investment: US\$ 2 billion since August 1993, (US\$ 1.3 billion in Sihanoukville)

source: official country statistics



Japanese aid to Hanoi

On 1 January, the *Vietnam Investment Review (VIR)* reported that Japan will provide US\$1 billion in financing over 15 years to upgrade the drainage and flood-protection systems in Hanoi. Dinh Hanh, vice chairman of the Hanoi People's Committee, said the project was announced at the annual donors' conference held in Paris in November.

After the gold rush

The 30 December issue of *Quan Doi Nhan Dan* included an article on the five-year gold rush at the Hieu Liem jungle area in Dong Nai province. Thousands of would-be miners rushed to the area after gold dust was found there in 1989, reaching 10,000 at the height of the rush, with a current population of 2,000. The article said 50 people were killed and hundreds injured in mine collapses, in fights, and by diseases. Only a few people have found gold. Brothels, drug dens and karaoke bars have sprung up at the encampment. According to *Reuters News Agency*, "The report was the first in official media about the Hieu Liem gold rush, but scrambles by poor villagers for gold or gems have occurred in other areas."

CAMBODIA

Return of the king

On 4 January, King Norodom Sihanouk returned to Phnom Penh after an extended period undergoing treatment in Beijing for cancer and other ailments. "I have very much missed my people and thank you for welcoming me," the king said on his arrival. "My health is good now but I have been told by my doctors that I must return for further checks in three and a half months. If those tests are all right I will quickly return to Cambodia to serve my people and my motherland." The king last visited Cambodia for six weeks in April and May last year.

"His health, according to his doctors, is very good, excellent. That's why he is able to come back to the country," Ministry of Information spokesman Siang Lapresse said. "We hope he is going to stay here permanently." Lapresse said the king will spend only a short time in Phnom Penh before moving to the royal residence in Siem Reap. First Prime Minister Norodom Ranariddh said the king will soon start traveling in the country to visit his people. "He will rather concentrate on visiting the countryside because the people of Cambodia want now to see [him]," he said.

October economic report

Recently released data from the central bank's October Economic and Monetary Review shows Cambodia's inflation rate and long-term Consumer Price Index (CPI) both decreased since December 1993. "On a year-to-year basis, the rate of inflation decreased from 31.0 percent in December 1993 to 7.9 percent in October," the report said. It added that

"the long-term CPI was on a decreasing trend and stood at minus 0.1 percent in October 1994 compared to 137 percent in the same month of last year [1993]." But the report said flooding in 1994 and an early end to the rainy season caused food prices to increase. "Inflation was rising but may slow down in the last quarter of the year, with the expectation of increased seasonal supply of agricultural produce, fish and vegetables." The report noted that the food sub-index increased nearly three-fold in October, with the CPI at 3.7% as compared to 1.3% in September. "Rises in prices of food, which were normally due to the impact of seasonal influences, were the main contributing factors for the overall increase in prices for the month of October," it said.

Budget passed

On 30 December, Finance Minister Keat Chhon said the government passed its 1995 budget, which will total around US\$423 million. Chhon said about US\$232 million in revenue will be collected from taxes on salaries, land and government duties. The remaining US\$191 million will be collected from the sale of government assets in a privatization drive. Cambodia does not yet have a comprehensive system of taxation. Potential revenue from logging was estimated at US\$2.3 million, following a logging ban imposed on 1 January [see *Digest*, 30 Dec]. Earlier, former Finance Minister Sam Rainsy estimated the government's potential logging revenue at US\$150 million.

Chhon said 46% of the budget will be spent on security and defense, due to the continuing conflict with Khmer Rouge guerillas, adding, "The government plans to reduce the Royal Cambodian Armed Forces from 130,000 to 90,000 soldiers, and despite a 20% reduction in the number of civil servants, education and health services will not be affected."

Khmer Rouge attack train

On 2 January, railway officials said more than 20 Khmer Rouge guerillas attacked a train traveling from Pursat province to Phnom Penh. The attack occurred at the Samaki Meanchey district in Kompong Chhnang province, about 31 miles (50 km) north of Phnom Penh. "In the ambush eight passengers were killed, including one child and four females, and another 30 were injured," an official said. The attack began when guerillas exploded five mines on the track, stopping the train. They then ran toward the train coaches, shooting passengers with AK-47 rifles and grenade launchers. The guerillas robbed the passengers of valuables and looted several sacks of rice from the train. Government soldiers arrived about six hours after the attack.

Khmer Rouge abandon base

On 3 January, the governor of Siem Reap province said the Khmer Rouge abandoned their base at Phnom Kulen, 40 miles (60 km) north of Siem Reap town. A provincial police commissioner told *Reuters News Agency* that some of the guerillas based at Phnom Kulen defected to the government, while others fled to their bases along the Thai border. He described the attack as "a great victory for the government as the base was taken without bloodshed."



No amnesty extension for Khmer Rouge

Cambodia's co-premiers released a joint statement on 31 December stating the country will not extend a six-month amnesty for outlawed Khmer Rouge guerillas beyond its 15 January expiration date. "After January 15, the royal government cannot be responsible for those who continue to adventurously live with the national betrayal leaders of the Khmer Rouge," the statement said. The National Assembly passed a bill outlawing the Khmer Rouge last July, which included the six-month amnesty provision [see Digest, 8 Jul]. As many as 600 Khmer Rouge guerillas and their family members defected last month [see Digest, 30 Dec].

Khmer Rouge offer bounty

Khmer Rouge defectors have told the Associated Press (AP) that Khmer Rouge leaders are offering their guerillas an equivalent of US\$8,000 "to kidnap Australians and Americans," one defector said, stating the order came from Khmer Rouge leader Ta Mok. The defector also told AP that Khmer Rouge guerillas have captured thousands of Cambodians since October and placed them in concentration camps, where 70% have died.

Australian aid to continue

On 4 January, an Australian government spokesman said Australia will continue its economic and military support of the Cambodian government despite renewed Khmer Rouge threats against its nationals. Australia has pledged US\$70 million worth of aid to Cambodia over the next four years, and military support to train its army. Senator Bob McMullan, acting minister of foreign affairs, said the Australian government would not be threatened into

withdrawing support, because it would be unfair to penalize the bulk of the country's needy people over the actions of the rebels. "It is not a decision that we took lightly, and it's not an easy one, but we think it's the right thing to do," he said. McMullan said he believed there were about 400 Australians in Cambodia.

Press law debates

On 5 January, First Prime Minister Norodom Ranariddh said he would welcome amendments to the controversial press law passed by the cabinet in November [see Digest, 11 Nov], which is expected to be debated in parliament in the near future. "If the National Assembly as sovereign structure would like to make any amendments, it can do so and I will welcome it," Ranariddh said. The law mandates criminal penalties for a variety of offenses, including criticism of the king, and has been opposed by human rights groups as unconstitutional and contrary to international human rights standards. In a 30 December statement, King Norodom Sihanouk said: "As far as I am concerned, I declare once again that no journalists be punished or hauled before the court because of me, because of their attacks, be they unjust or slanderous, against me." The king said he hoped that the criminal penalties will be replaced by civil remedies. "One can bring one or more journalists to court for slander, or insult or other wrong doings, but we must avoid associating the faults of journalists with crime," he said.



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