



Indochina

Digest

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TRADE/INVESTMENT

Vietnam oil updates

◆ **Rong is alright** - On 14 February, Vietnam's largest oil producing venture, VietSovPetro, announced the discovery of oil in its offshore *Rong* (Dragon) field. According to company officials, the oil was discovered in the field's 14th well and daily output is estimated at 400 cubic meters, or 2,600 barrels.

◆ **Finally a refinery** - Vietnam has approved plans for a US\$1.3 billion project to construct its first oil refinery at Dung Quat in Quang Nai province in central Vietnam. Ho Si Thoang, head of PetroVietnam, expects a feasibility study to be submitted by mid-1995 and construction to begin early next year. The complex will include a deep sea port with an annual cargo capacity of 100 million tons, a container port, and a petrochemical products plant, and will compliment a US\$10 billion industrial and urban development scheme in Quang Nai. The decision to locate in Dung Quat is in line with the government's aim of attracting foreign investment to Vietnam's poorer central region.

Vietnam transportation updates

◆ **Highway hopefuls** - On 17 February, the *Vietnam News* reported that the second round of bids has started among 59 foreign contractors for US\$317 million worth of projects to upgrade Highway One. The projects will be mainly funded by the World Bank and the ADB [see *Digests*, 3 Dec 93 & 29 Oct 93]. Companies from Japan, US, China, France, Taiwan, Italy and eight other countries are participating. The bidding process will be closed in May, and successful bidders will be announced in August. Work on the projects is to start in November, and be completed in 1997.

◆ **Fit to fly** - The US firm Tex-Air Helicopter Inc (TAHI) has joined with Vietnam Air Service Company (VASCO) to fly helicopters in Vietnam, a VASCO official reported on 17 February. The first US-Vietnam aviation joint venture was approved by the Civil Aviation Administration in January, and TAHI will bring in two helicopters worth US\$3.5 million. Other companies currently offering helicopter services include the French joint venture Heli-jet and Vietnam Airlines.

◆ **Auto assembly** - According to *Vietnam News Agency* (VNA), Toyota Motor Corp. has received informal approval for a US\$170 million joint venture to assemble vehicles in Vinh Phu province near Hanoi. Toyota hopes to secure the Kuo Company of Singapore and Vietnam Engineering and Machinery Corp. as partners in the project, and anticipates an annual production capacity of 20,000 sedans, 12-seat minibuses and 4x4 utility vehicles by 1997.

◆ **Minibus mania** - A ground-breaking ceremony was held on 17 February for a new plant that will assemble Mitsubishi minibuses in Song Be province. The plant, which is scheduled to begin operations in April of 1996, will produce 1,500 vehicles the first year.

◆ **Moto madness** - Japanese motorcycle giants Honda Motor Co. Ltd. and Yamaha Corp. both announced they are finalizing negotiations on separate joint ventures to manufacture motorcycles in Vietnam. Honda, which estimates it has a 90% share in the Vietnamese motorcycle market, hopes to have a deal with Vietnam Engineering and Agricultural Machinery Corp (VEAM) concluded by March, and Yamaha is planning a joint venture agreement with forest machinery maker Formach [see *Digest*, 13 Jan].

Vietnam updates

◆ **No license required** - On 17 February *Saigon Giai Phong* quoted a recent trade ministry directive which said that foreign investors will be permitted to open representative offices in Vietnam before obtaining investment licenses. According to the directive, representative offices, which are restricted from engaging in any profit seeking activities, will be given three years to study investment projects and fulfill the procedures for obtaining an investment license. Applicants must be incorporated in accordance with the laws of Vietnam, must be at least five years old, and must bring an investment or trading project of "high interest" to the Vietnamese side, particularly economic, technical, scientific or technology transfer contracts.

◆ **Rice goals** - In an effort to tighten government control over rice exports, the Commerce Ministry announced that 16 large state export companies will handle 70% of rice sales, with the remaining 30% to be handled by smaller firms. The price for rice exports will be set by the ministry. Vietnam also plans to reduce rice exports by 9% this year, from 2.2 million tons in 1994 to 2 million tons in 1995.

◆ **Smokin'** - R.J. Reynolds and the state-run Danang Cigarettes Factory have received State Committee for Cooperation and Investment (SCCI) approval for a US\$21 million joint venture to manufacture cigarettes in Danang. The project includes the expansion of tobacco cultivation in Quang Nam-Danang province and construction of a modern processing plant. Locally produced Camel, Salem, Winston and More brands are expected on the market by July.

◆ **Aussie air-time** - *Hanoi Radio and Television* (HTV) and the Australian-owned *Vietnam Investment Review* (VIR) Ltd have signed an agreement to bring Australian programming to Hanoi. Programming from Nine Network Australia, linked to VIR's shareholder, Australian Consolidated Press Ltd, is expected to begin airing on HTV in mid-1995 and will cover entertainment, culture, sports, science and technology.



Vietnam updates

◆ **Pollution problems** - The Ministry of Science, Technology and the Environment issued a report on 15 February stating Hanoi and HCMC have serious pollution problems, with sulfur dioxide levels 4 times higher, and carbon dioxide levels 2.2 times higher, than international standards. Water canals in Hanoi are polluted with lead, mercury and chrome. In HCMC, industrial waste is polluting the water table, soil and air, at levels 20 to 70 times higher than the authorized level. The secretary of the HCMC People's Committee has asked industries in the two most polluted districts to move to the suburbs.

◆ **Patrol boats sought** - Vietnam's defense ministry announced it is seeking to purchase patrol boats from the Hyundai Group of South Korea. Following approval from relevant ministries, Vietnam plans to import three to five of the 80-ton boats, each of which will cost US\$7.5 million. The boats have a top speed of 40 nautical miles per hour and have been exported to many other countries in the region.

◆ **Buddhist school opens** - On 14 February, the school for Buddhist monks at the Bao Quoc pagoda in Hue held its opening ceremonies without incident. About 300 novices attended class on the first day. An earlier attempt to open the school in late November was disrupted by ten young people including some novice monks [see *Digest*, 9 Dec].

◆ **AIDS deaths** - On 17 February the *Vietnam News Agency* reported that five people have died of AIDS since the beginning of the year, bringing to 54 the total deaths from the disease. According to statistics from the national AIDS Protection Committee, as of 11 February, 2,200 Vietnamese have tested HIV positive country-wide, 131 are suffering from AIDS-related complications, and 53 have died.

◆ **No Australian human rights investigation** - On 16 February, Foreign Ministry Spokeswoman Ho The Lan said an Australian parliamentary delegation, due to visit last July, was now welcome to come to Vietnam, but not to investigate human rights [see *Digests*, 10 Feb & 8 Jul]. "It is sure that there will not be any Australian delegation coming to Vietnam to investigate the human rights situation, as reported, because it is against the basic principles of international relations," Lan said. Lan added that Vietnam is prepared to discuss human rights with Western countries but regards investigations as interference.

CAMBODIA

Did KR defector murder hostages?

A Cambodian Defense Ministry investigation into the killing of three foreign hostages last summer indicates that former Khmer Rouge Colonel Chuk Rin was not implicated in the murders. Rin led the ambush of the train where the hostages were seized, and subsequently took advantage of a government amnesty program and defected in October [see *Digest*, 21 Oct]. Rin told authorities that he handed the three Westerners over to his commander, General Noun Paet, following the ambush, and had not seen them since. The Defense Ministry report said there was no evidence that Rin "was aware or was implicated in the execution of the three

hostages before he defected." The report states that Paet became "desperate" after Rin and his men defected and ordered the execution. Western diplomats, however, believe the hostages were murdered in mid-September, before Rin's defection [see *Digest*, 4 Nov].

Former KR linked to American's death

On 17 February, the *Cambodia Daily* reported that at least four of ten suspects being held in connection to the 15 January murder of American tourist Susan Hadden and her Cambodian guide are former Khmer Rouge members [see *Digests*, 20 & 27 Jan]. Possible Khmer Rouge affiliation of the other four gunmen has yet to be determined, the paper said. The other detainees are wives of two suspects. The newspaper said that ten days after the ambush, the guerillas decided to defect to the government, and then four suspects allegedly confessed involvement in the attack. Provincial officials initially said the attackers were bandits. Khmer Rouge radio broadcasts claiming responsibility for the attack have been dismissed as containing many inaccuracies.

New bank notes

On 14 February, Cambodia's central bank chief Thor Peng Leat unveiled new currency aimed at ending the need for bundles of cash for routine purchases. The new currency, printed in France, will be introduced into circulation before 15 April. New notes ranging from 1,000 riel (38 cents) to 50,000 riel (US\$19) feature King Norodom Sihanouk and the 100,000 notes show both the King and Queen Monineath. New stainless steel coins ranging in value from 50 riel (two cents) to 500 riel (19 cents) will also be issued. The highest denomination currently in circulation is 500 riel, meaning that even modest purchases require large amounts of notes.

Shrimp raise environmental concerns

On 13 February, Environment Minister Mok Mareth said the destruction of mangrove forests along the southern coastline for shrimp farming is a bigger environmental threat than logging. "I am not opposed to the breeding of shrimps but I am opposed to the type of techniques that are being used which involve uprooting large areas of mangrove," Mareth said. Mareth's comments followed a visit to Koh Kong province, which borders Thailand. Mareth said nearly 1,000 acres of mangrove had been destroyed for shrimp farms, mostly owned by Thai companies. "The Thais have invested close to US\$100 million in the Koh Kong shrimp farms," an Environment Ministry advisor said. "The money and expertise is all Thai and all the shrimp goes back to Thailand for sale. This highly technical shrimp farming will render the area useless within three years but there are tremendous profits to be made within those three years."

British aid directive rescinded

On 15 February, British Ambassador Paul Reddick told *Agence France Presse* that a controversial plan to recall all British-funded aid workers to Phnom Penh from the provinces was revoked [see *Digest*, 10 Feb]. The ambassador said the directive was too broad and that it applied to all agencies, even those in areas without security problems. The British embassy will now advise aid agencies on a case-by-case basis, and the threat to withdraw funds has been removed.



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	Credit signed 16 Dec 94	17 IDA	Will be required	Ministry of Economy and Finance
LAOS					
Land titling	Issue land titles, improve land management	Project preparation began Nov '94	20 IDA	Consultant selection completed, will be financed under a Japanese grant	Ministry of Finance
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	Approved by Executive Directors on 5 Jan 95	19.2 IDA	Technical assistance for implementation will be provided under Belgian co-financing	Ministry of Health and Social Welfare
VIETNAM					
Irrigation rehabilitation	Rehabilitate and complete 5-7 irrigation schemes; institutional strengthening of the Ministry of Water Resources	Negotiations sched for Mar '95	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 sched for Feb '95	50 IDA	To be determined	Ministry of Education and Training
Modernize banking system	Establish computerized payments system	Project preparation is underway	50 IDA	Japanese grant for project preparation consultants	State Bank of Vietnam
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. Retroactive financing of 5m being recommended	Negotiations sched for Mar '95	165 IDA	Req'd: for project management of all components	Power Co. # 2 HCMC
Water supply	Increase capacity and rehabilitate water supply systems in 4 cities, construct treatment plant, upgrade distribution systems, construct pumping stations, improve solid waste mgmt in 2 cities	Pre-appraisal mission sched for Sept '95	125 IDA	Consultant services will be financed through bilateral donors	Ministry of Construction
Land mgmt (formerly Land admin)	Project will support first phase of program to issue land-use certificates and improve land administration	Project preparation is underway	80 IBRD	To be determined	Department of Land Administration
Forest conservation barren land development	Protect conservation forests and provide for the development of barren land areas to improve incomes through cash cropping, agro-forestry, and improved efficiency in the provision of support services for rural population	Project is being identified	60 IDA	To be determined	Ministry of Forestry

* 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)
03 FEB 95	2,608	724	11,142
10 FEB 95	2,608	724	11,142

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)	16 FEB 95	05 JAN 95	22 DEC 94
	\$0.60/\$0.62	\$0.64/\$0.66	\$0.665/\$0.685

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

Beta Vietnam Fund - price in sterling per unit (unit consists of 5 shares and a warrant)	16 FEB 95 £ 33 3/32	05 JAN 95 £ 34 5/16	1994/95 Hi-Low £ 62 - 30
Vietnam Frontier Fund - net asset value per share (partially paid in)	31 DEC 94 US\$ 4.96	30 NOV 94 US\$ 4.97	31 OCT 94 US\$ 4.99
The Vietnam Fund Ltd. - net asset value per share (fully paid in)	31 DEC 94 US\$10.79	30 NOV 94 US\$ 10.68	31 OCT 94 Not available
Templeton Vietnam Opportunities Fund - price per share	16 FEB 95 US\$ 11 5/8	02 FEB 95 US\$ 12	05 JAN 95 US\$ 11 5/8

VIETNAM FOREIGN INVESTMENT INFORMATION

January 1995 foreign investment figures:

Total number of projects approved in January: 28
Value of projects approved in January: US\$ 196 million

Projects currently under State Committee for Cooperation and Investment (SCCI) evaluation:

87 projects with a value of US\$2.7 billion

Revised 1994 foreign investment figures:

Total number of projects approved: 362
Value of projects approved: US\$ 3.7 billion
Number of project licenses revoked: 54
Value of projects with licenses revoked: US\$ 187 million
Sectoral breakdown of investment:
Services - 28%; Tourism - 17%; Heavy Industry - 13%

Foreign investment note: Hong Kong overtook Taiwan as the largest foreign investor in Vietnam



◆ **In the zone** - On 11 February, Taiwan's Nationalist Party announced plans to invest US\$380 million in building a 300 hectare industrial zone in northern Vietnam. The party plans to develop the zone in three stages, with each covering approximately 100 hectares. The first stage will cost about US\$80 million and may include Japanese partners.

◆ **Japanese complex** - Itochu Corp of Japan announced plans to construct a US\$39 million apartment and shopping complex in HCMC. The company will hold a 70% share in the joint venture and the House Building and Trading Co of HCMC may be a partner.

Cambodian hotel

The General Hotel Corporation (GHC) of Hong Kong has signed a US\$20 million contract with Cambodia's tourism ministry to construct two luxury hotels in northwest Siem Reap province. The five-star, 32-room hotel and 135-room, four-star "resort style" hotel will be built in conjunction with YTL Corporation Bhd. of Malaysia, and are scheduled to be completed in March and September 1997, respectively.

Lao dam tariff

On 16 February, an international consortium led by Australia's Transfield Holdings Pty Ltd announced an agreement with the Laotian government on tariffs for the Nam Theun 2 Hydroelectric power project. The initial rate is US\$.0455 per kWh and will increase three percent annually during construction of the dam and then at a rate of 35% of the CPI for 25 years. Transfield has a 10% stake in the US\$1 billion, 680 megawatt plant, with Electricite de France holding 30%, the Laotian government holding 25%, and a Thai consortium holding 35%. Transfield said the contract should be finalized soon and construction on the plant will begin later this year or in early 1996.

VIETNAM

State Bank chief outlines financial future

State Bank governor Cao Si Kiem announced that in the first half of 1995, Vietnam will establish the National Securities Board as the country's capital markets regulatory authority. The Board will establish Vietnam's first stock market, which Kiem believes could begin operation by late 1995 or early 1996. Shares to be traded would include those of government-designated enterprises and state-owned enterprises undergoing "equitization." It has not yet been determined if foreign companies will be permitted to participate in transactions.

The first set of government bonds will be issued on international financial markets in June, according to Kiem. The Finance Ministry will issue the equivalent of US\$100 million in bonds and the State Bank will initially issue approximately US\$50 million in bonds. The bonds will be issued in regional markets first, but will likely be issued in Europe and North America in the future. The State Bank announced that it has completed pilot auctions of domestic treasury bills in Hanoi and HCMC and will make the market operational nationwide in the second quarter of 1995.

In an interview with *Reuters News Agency*, Kiem said that there is room for more foreign bank branches in Vietnam. He also said that Vietnam's state-owned commercial banks will start using the SWIFT (Society for Worldwide Interbank Financial Telecommunication) system of international banking in March, that the *dong* will not be devalued, that commercial loans from external sources that are contracted or guaranteed by the government will be limited to US\$250 million in 1995, and that the State Bank will halt the issuance of licenses for joint stock commercial banks this year, pending a review of the efficiency of the 46 banks already in operation. Vietnam is seeking US\$40-50 billion in funds by 2000, half of it in foreign investment. Foreign exchange reserves at the end of 1994 were about US\$500 million.

Civil code draft

The National Assembly's draft of the new civil code, Vietnam's first since the 1945 revolution, was published on 11-12 February. The code, which contains six parts and 701 articles, defines the relations between the state and private entities and individuals. It includes laws on private and collective property, land use rights, inheritance, and intellectual property. According to Minister of Justice Nguyen Dinh Loc, the civil code should be "a law to facilitate transition to socialism in Vietnam." Loc said it was time to eliminate unwanted elements spawned by Vietnam's shift towards a market economy. The public has until 31 July to comment on the draft.

Poverty survey

According to a survey conducted in 1992 and 1993, half of Vietnam's population lives below the poverty line. Wide regional disparities exist throughout the country, with the percentage of people living in "absolute poverty" ranging from a low of 33% in southeastern provinces to over 70% in north-central coastal provinces. In rural areas, where average per-capita expenditure is US\$100, 57% of the people live in poverty, whereas in urban centers, where average per capita expenditure is US\$160, impoverished people total 26%. Results also showed that more than half of the population consumes less than 2,100 calories per day and 50% of children under five suffer from malnutrition.

Cam discusses ASEAN, eyes AFTA, APEC

On the last day of his five-day visit to Singapore, Foreign Minister Nguyen Manh Cam said that following Vietnam's formal entry into ASEAN in July, the country will need a "three or four year" transition period before it can fully participate in the ASEAN Free Trade Area (AFTA). Cam said the transition period will allow Vietnam to overcome economic development differences as well differences in Vietnam's tax and customs laws and procedures, enabling Vietnamese practices to be in line with those of ASEAN's other members. Vietnam also hopes to join the Asia Pacific Economic Cooperation (APEC) forum in the future. Wrapping up his visit, Cam announced Singapore that will help establish industrial parks and help improve and expand Vietnam's infrastructure.

**LAOS****President visits Thailand**

On 14 February, President Nouhak Phoumsavan arrived in Bangkok at the start of a six-day visit to Thailand, and was greeted by Thailand's King Bhumibol Adulyadej and his daughter Princess Sirindhorn. The visit reciprocates a trip by the Thai King last April at the opening of the Thai-Laotian Friendship Bridge [see *Digest*, 8 Apr]. The President, accompanied by six government ministers, met with Prime Minister Chuan Leekpai on 15 February. The visit includes stops at Thailand's ancient capital Ayuthaya, Chiang Mai and Chiang Rai in the north, and Khon Khen in the northeast. The President returns to Laos on 19 February, crossing the new Friendship bridge.

REGION**Rice worries**

At a world rice conference held in the Philippines on 13-16 February, economists predicted that as Asia becomes more industrialized and as its population expands, the quantity of rice output will not be enough to meet increased demand, forcing Asia to become a net importer by 2005. Experts say more land will be used for housing and industry, and the amount of arable land, as well as the amount of fresh water will decline. About 90% of rice grown in the world is grown in Asia, but Asia consumes about 90% of world rice output.

Burma and Cambodia are the two countries in the region where rice output can be increased the most, but most other countries have reached their peak. Officials believe that within a decade, Cambodia can return to its pre-war export levels of 500,000 tons per year. Africa and Latin America are regions where experts believe rice output could increase and help meet Asia's forecast shortfall, which could reach 10 million tons in a decade. These estimates do not take into account the new "super rice", which is under development and could increase yields by as much as 30%.

US POLICY**Report clears Thai military**

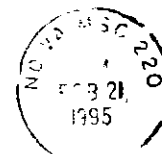
The Thai military is no longer providing support to the Khmer Rouge according to a classified report to the Congress by Secretary of State Warren Christopher. A summary of the report stated: "Although Thailand has provided some support to the Khmer Rouge (KR) in the past, the Thai government does not currently support, as a matter of policy or practice, the outlawed guerrilla organization." It reported, however, that unofficial contacts, not sanctioned by the Thai government, still occur at a diminished level between the KR and some Thai military personnel. The Thai government has begun efforts to stop such contacts and trade. The logging industry, which is partially conducted in or requires transit through KR-controlled territory, and the gem mining industry, which is centered around Pailin, are areas for significant Thai investment and have been the most important sources of revenue for the Khmer Rouge."

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