



Indochina

Digest

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TRADE/INVESTMENT

Vietnam updates

- ◆ **Japanese investment** - A delegation from the Japan Federation of Economic Organizations (Keidanren), on a three-day visit to Vietnam, predicted a sharp increase in Japanese investment in 1995. The delegation noted Vietnam's labor force and natural resources are attractive incentives to investors. The delegation provided Vietnamese officials a list of nine areas of concern regarding foreign investment, including complicated licensing procedures, difficulties in obtaining land for development, poor physical and legal infrastructure, corruption, Vietnam's large private sector debt to Japan, and concerns over the exchange rate.
- ◆ **Sony** - On 21 February, Sony Corp of Japan officially opened its consumer electronics production plant in HCMC [see *Digest*, 28 Oct]. The factory, which began production last December, employs 300 people and will produce 100,000 television sets and 100,000 radio-cassette recorders in the first year of operation. Production will expand to include hi-fi audio systems and video-cassette recorders next year.
- ◆ **BP oil strike** - British Petroleum (BP) announced on 21 February that it located oil and gas during test drilling in the Kim Cuong Tay (West Diamond) prospect area, in Block 5-2 off the southern coast of Vietnam. The test produced 5,075 barrels of oil and 15.4 million standard cubic feet of natural gas per day. BP has a two-thirds stake in the field, with Statoil holding the remainder. PetroVietnam has an option to acquire a 17.5% stake.
- ◆ **Cigna of the times** - On 22 February, Cigna International announced it has signed a "mutual cooperation" agreement with the Vietnam Insurance Company, BaoViet, to provide insurance coverage, risk management programs, and other services to multinational companies operating in Vietnam. BaoViet will provide Cigna's customers with underwriting, policy issuance, and claims adjustment services. The two companies will also explore business opportunities in Vietnam and share market information.
- ◆ **Australia airlink** - On 21 February, Australia and Vietnam signed an agreement to allow scheduled flights between the two countries by November, with two direct flights each week, expanding to three per week after November 1996. Currently Qantas Airways and Vietnam Airlines each offer one charter service per week between Australia and HCMC.
- ◆ **Tight tourists** - Results from a recent survey conducted by Vietnam's Institute of Tourism Research showed foreign tourists are spending an average of US\$75 per day in Vietnam. In 1994, income from the tourism industry was US\$580 million.
- ◆ **McDonnell Douglas** - In an effort to enter the aircraft market in Vietnam, McDonnell Douglas Corp has offered 100% financing for the purchase of its aircraft by Vietnam. The offer was made by the company's general director when he met with Prime Minister Vo van Kiet in Hanoi on 17 February. Vietnam's Civil Aviation Administration plans to spend US\$1 billion to replace the bulk of Vietnam Airlines' antiquated fleet. McDonnell Douglas also offered assistance in training pilots and building maintenance and repair facilities at Vietnam's airports.
- ◆ **Ford** - On 23 February, Ford Motor Co signed a US\$102 million deal to assemble cars and trucks at a plant to be built east of Hanoi. Ford will control 75% of the joint venture, with Vietnamese partner, the Song Cong Diesel Co, holding the rest. If approved by the government, the deal will make Ford the largest US investor in Vietnam. Construction will begin in April and the plant should be operational by 1997.
- ◆ **Singapore cement** - Singapore's Resources Development Corp Ltd (RDC) said its subsidiary, RDC Vietnam Pte Ltd, has formed a joint venture with Vietnam's state-owned Construction Company No. 8 to produce and sell ready-mixed concrete and bore piles. RDC will hold 60% equity in the US\$3.82 million venture company, with Construction Company No. 8 holding 40%.
- ◆ **Komatsu** - Komatsu Singapore, a subsidiary of Japan's Komatsu Ltd, has received approval from the Vietnamese government to establish a construction equipment venture with the Binh Trieu Mechanical Engineering and Vehicle Repairing Factory in HCMC. Initially, the venture will provide product support for Komatsu's construction equipment, but by 1998 will assemble and market hydraulic excavators.
- ◆ **Banking** - Bank of America opened its Vietnam branch in Hanoi on 24 February [see *Digest*, 3 Feb] and expects to open one in HCMC in one year. Australia's Commonwealth Bank opened a representative office in the capital, and the United Overseas Bank (UOB) of Singapore received approval to open a branch in HCMC.
- ◆ **Import quotas** - According to the *Vietnam News* and *Lao Dong*, Vietnam's Ministry of Commerce has authorized an additional 70,000 tons of sugar to be imported this year. The additional 40,000 tons of raw sugar and 30,000 tons of white sugar brings to 140,000 tons the total amount authorized for import. Import quotas for this year include 1.3 million tons of urea fertilizer and 600,000 tons of steel, in addition to steel for special uses, for which no quota was given.
- ◆ **Climbing coal** - Vietnam plans to export between 2.1 and 2.5 million tons of coal this year, an increase of 600,000 to one million tons over 1994. According to Vietnam General Coal Corp, 400,000 tons of coal have been exported so far this year, an increase of 150% over the same period last year.



Laos foreign investment

According to the vice chairman of the Laotian Committee for Planning and Cooperation, Thailand is the largest foreign investing country in Laos. At the end of 1994, US\$518 million in 214 projects had been implemented by Thailand. The US was next with 34 projects totalling US\$93 million. The main objectives for Laos' national development include environment and cultural conservation, economic growth, and economic and political stability. Hotels, the manufacturing sector, and telecommunications have attracted the most foreign investment.

VIETNAM

World Bank report released

On 23 February, the World Bank released a report to outline its plans to aid Vietnam's economic development. The Bank, which has lent Vietnam more than US\$650 million since 1993, praised the country's reforms, but said it remains one of the poorest countries in the world, with per capita income of US\$170. Four areas of concern identified in the report include access to rural credit, high marketing costs due to poor infrastructure, poor functioning of the land market, and inadequate technology to raise agricultural output. "Vietnam has the potential to be another successful economy like the east Asian 'tigers.' They have made an excellent start with reform," said World Bank economist David Dollar.

UN human rights report

On 23 February, the UN Commission on Human Rights issued a report on its trip to Vietnam in October [see *Digest*, 4 Nov]. UN experts said they had "the feeling, without being able to verify it, that the number of political prisoners in Vietnam was considerably less high than numbers put forward only a few years ago." The report said that the team was banned from visiting pre-trial detention centers, was not given comprehensive statistical data on prisoners, and was sometimes prevented from meeting confidentially with detainees. "This is all the more regrettable in that a positive response probably would have led it to reach a conclusion that was favorable to the government," the report said. On 24 February, Vietnam's Foreign Ministry issued a statement criticizing media coverage of the report, stating the UN team did not visit to investigate human rights but simply to study the legal system.

Budget deficit

On 19 February, *Vietnam Investment Review* reported that Vietnam's 1995 budget deficit is expected to exceed US\$700 million. According to a report by the Ministry of Finance, 1995 government income is estimated at 55.4 trillion *dong* (US\$5 billion) and spending at 63.1 trillion *dong* (US\$5.7 billion), leaving a deficit of 7.7 trillion *dong* or US\$710 billion. Last year the deficit reached 7.3 trillion *dong* (US\$680 billion), about four percent of GDP. In order to keep inflation down, the government plans to compensate for the deficit through foreign and domestic loans. The report said cash in circulation would increase 20% over 1994 levels to meet an expected 9-10% GDP growth rate. The trade deficit will equal last year's total of US\$900 million, with exports estimated at US\$4.5 billion and imports at US\$5.5 billion.

German repatriation talks break down

On 20 February, the Vietnamese government canceled negotiations with Germany on the issue of aid in exchange for the repatriation of some 40,000 Vietnamese living in Germany. Vietnamese negotiators in Bonn stated that they would contact Hanoi in connection with a proposed 20 million *mark* (US\$13 million) program of German aid for reintegration of the Vietnamese in their homeland. Hanoi wants the money earmarked for management costs, while Bonn insisted that the money should be tied to reintegration projects. The sum is part of planned German aid of 200 million *marks* (US\$135 million) over the next two years. The bilateral aid is linked to the repatriation of Vietnamese illegal immigrants, which was agreed to in principle under an accord announced 11 January [see *Digest*, 13 Jan]. On 24 February, Vietnam issued a statement appealing to Germany to show its "goodwill" in settling the problem. "It is the Vietnamese side's point of view to see this as humanitarian aid to be used in programs in support of returnees, to cover expenses in implementing the agreement, and for expenditure required for their reception."

Guangxi mine-less

The Sino-Viet border along China's western Guangxi province has been cleared of the last remaining mines left over from the 1970s. Over 8.4 million square meters were demined by villagers and Guangxi troops according to local officials. The removal of mines since 1992 paves the way for the rapidly expanding border trade [see *Digest*, 20 Jan].

CAMBODIA

Economically searching

◆ **Singapore Investors sought** - On 23 February, Second Prime Minister Hun Sen began a three-day unofficial visit to Singapore at the invitation of the Rotary Club of Singapore. The visit was aimed at attracting more foreign investors to Cambodia. Hun Sen said that the political situation "is more favorable than any other time in the last 25-year period and that the country's most important challenge is poverty." Hun Sen defended Cambodia's decisions to award contracts to Malaysian investors, and dismissed complaints by former finance minister Sam Rainsy that the agreement to establish Royal Air Cambodge violated Cambodia's constitution [see *Digest*, 3 Feb]. Additionally, he said: "No single person can have the right to interpret the laws according to his own whim"

◆ **Chinese investors sought** - China's Vice-Foreign Minister Tanh Jiakuan began a four-day visit to Cambodia on 22 February. During a meeting with Foreign Minister Ung Huot, Cambodia requested "that the Chinese government encourage more Chinese investors to Cambodia." China promised US\$10 million in bilateral aid in the areas of agriculture, rural development, education and transport, in addition to 2,000 tons of rice to help victims of 1994's floods.

◆ **Aid sought** - On 20 February, Finance Minister Keat Chhon told *Reuters News Agency* that Cambodia was seeking US\$540 million in aid from a meeting of international donors in Paris next month. "We are realistic, we know that we can mobilize only US\$150 million, but we need US\$540 million."



US POLICY

Defense Department's MIA letter

On 17 February, Secretary of Defense William Perry submitted a letter to Congressman Floyd Spence, Chairman of the National Security Committee of the House of Representatives, regarding US servicemen unaccounted for in Southeast Asia. The letter, required by Congress under the 1995 National Defense Authorization Act, directed the Department of Defense to submit a complete listing of all the missing about whom "it is possible that officials of Vietnam can produce additional information or remains." Perry's letter said that nearly 50% of all unaccounted for cases had been reviewed, and it "will take at least several additional months" to complete the review. The letter stated, "it is 'possible' that additional information can be provided on all 2,211 cases," and that as the Administration "cannot know for certain" whether Vietnam or Laos possesses any additional information or remains, it must continue to seek information on all cases.

The letter reviewed the administration's progress on the issue, and provided a list of names in priority areas, eliminating duplicate names appearing on more than one list. On the Special Remains List-84 cases involved 98 Americans—two cases involving three individuals have been resolved, eight cases involving 11 individuals are currently scheduled for excavation, and the US and Vietnam will jointly reinvestigate ten cases involving 13 individuals. On the Last Known Alive list, 24 of the original 196 cases have been resolved. Of the remaining 172, there are 117 cases whose fate has been determined, and 55 cases whose fate has yet to be confirmed. There are 44 priority discrepancy cases involving 81 individuals in Laos, and six individuals in the Viet-Lao Border Case section whose names do not appear on any other lists. According to Perry's letter, the discrepancy lists contain the names of 343 individuals; of that number the fate of 82 individuals has been determined.

US naval exercises

On 21 February, a US Navy official announced that the United States is inviting Southeast Asian nations to take part in naval exercises, beginning in May or June and possibly becoming an annual event. The proposal is aimed at reassuring Southeast Asia of the US's continued commitment to regional security. The announcement follows an escalating war of words between China and the Philippines over that part of the Spratly Islands known as "Mischief Shoal" [see *Digest*, 10 Feb]. The official declined to identify the countries invited to join the exercise, but they will likely include the member states of ASEAN.

Pol Pot could be tried

On 23 February, at the close of a 4-day visit to Phnom Penh, Alphonse La Porta, director of the US State Department's Office of Cambodian Genocide Investigations, said senior Khmer Rouge officers could face criminal charges for their actions during 1975-1978. "The eventual objective is to confront leaders of the Khmer Rouge with their crimes, with detailed evidence of their crimes in a court of law to ensure that they receive some kind of justice," he said, adding his investigation would cooperate closely with Yale University's Cambodia Genocide Program [see *Digest*, 20 Jan].

◆ **Japanese loans sought** - On 23 February, *Kyodo* news agency reported that Japan will extend low-interest *yen* loans to Cambodia for the first time since 1968, on condition that Phnom Penh repays \$2.6 billion *yen* (US\$26 million) in outstanding debts. The report said Japan is expected to help finance projects to improve infrastructure, including construction of power plants and ports, but did not indicate the size of the loans.

Landmine awareness day

On 24 February, Cambodia held its first "Landmine Awareness Day," with 500 people marching through Phnom Penh with banners calling for a ban on landmines. Ieng Mouly, information minister and director of the Cambodia Mine Action Center (CMAC) said Cambodia's mine amputee population was about 40,000 men, women and children, and that about the same number had been killed by landmines since 1979. CMAC statistics indicate that since 1991, about 40,000 mines have been cleared and another 170,000 items of unexploded ordnance destroyed. Mouly estimates the number of landmines still buried throughout the countryside ranged from eight to ten million. Six international humanitarian agencies are involved in manufacturing prosthetics and wheelchairs, including Vietnam Veterans of America Foundation, which has produced more than 2,500 artificial limbs since 1991, and the International Committee for the Red Cross, which has distributed 200,000 spare parts for artificial limbs.

Rights groups protest killings

On 22 February, the Licadho and Adhoc human rights groups issued a statement protesting the execution-style killing of two men in Battambang province. The two men were found by relatives with multiple gun shot wounds after being detained by a group of 30 government soldiers and police. "Local authorities appear intent on excusing the killings on the grounds that the victims were members of the Khmer Rouge," the statement said. Amnesty International added its protest in a 23 February statement.

Baphuon restoration

The prestigious Ecole Francaise d'Extreme Orient (EFEO) is returning to Cambodia to continue the reconstruction of an 11th century temple in Angkor Wat that it began in the 1960s. The eight year, 30 million *franc* (US\$5.6 million) project will rebuild and restore the 11th century Baphuon temple. EFEO will use advanced computer technology to graphically visualize the reconstruction, including the return of over 500,000 stones to their original location.

REGION

Mekong environmental protection pact

Representatives from Thailand, Cambodia, Laos, and Vietnam met in HCMC on 22-23 February to launch a US\$10 million joint environmental protection program funded by the Swedish government. The four countries agreed to draw up a 1995-97 program to address concerns over the environmental degradation of the Mekong basin caused by rapid economic development in the region.

**REFUGEES****Kuala Lumpur meeting**

On 23 February, Vietnam agreed to accept the return of 3,600 Vietnamese non-refugees each month, in order to repatriate the 50,000 remaining by the end of 1995. The announcement followed a two-day international conference on Indochinese refugees in Kuala Lumpur, where representatives from 31 countries reviewed current repatriation and resettlement programs under the United Nations' 1989 Comprehensive Plan of Action. The UN mandate to resettle or repatriate the remaining boat people in the region ends this year. Approximately 5,000 boat people are still living in Malaysia, another 6,000 in Indonesia, and 22,000 in Hong Kong. An exception was made for Hong Kong where over half of the cases remain. Hong Kong's representative Brian Bresnihan said repatriation in the territory will be completed in 1996.

Vietnamese threaten suicide in Philippines

Barricades and threats of mass suicide prevented authorities from transferring a group of 272 Vietnamese from the Bataan refugee camp outside Manila to Palawan Island on 24 February. According to UNHCR the group arrived in the Philippines under the Orderly Departure Program, but were rejected by US authorities when it was discovered they had fraudulent papers. The group has been resisting transfer since December, when UNHCR funding for the camp was cut. Tensions in Bataan camp peaked after the announcement that Vietnam would simplify procedures to take back the remaining non-refugees by the end of 1995.

FYI**US Liaison office: three strikes....**

The correct contact information for the US Liaison Office in Hanoi [see *Digests*, 10&3 Feb] is: 7 Lang Ha Road, Hanoi, Tel: 84-4-350445; Fax: 84-4- 350445 ; Overseas address: PSC 461, Box 400, FPO AP 96521-0002.

Fine dining

♦ **Minister of Energy** - On 8 March, the *Vietnam Infrastructure Summit Organizing Committee*, chaired by Robert W. Haines of Mobil Corp, will host an Inaugural Reception Dinner in Washington, DC, in honor of a senior-level Vietnamese delegation, headed by Minister of Energy Thai Phung Ne. The delegation will visit the US to participate in a series of conferences in Atlanta, San Francisco and Virginia on investment opportunities for US companies in Vietnam's infrastructure development [see *Digest*, 10 Feb]. For more information, contact Ms. Hue-Chan Luu, Executive Officer of the Summit Organizing Committee, at 202-797-8199.

♦ **East Meets West** - On 4 March, the East Meets West Foundation will hold its 6th Annual Bridge of Peace Awards Banquet in San Francisco to honor people who have facilitated goodwill between the US and Vietnam. This year's award recipients include John McCain, USAID, and Frank M. Jordan, Mayor of San Francisco. For more information, call 1-800-465-4515, or contact Marilyn Fowler at 415-221-4841.

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