



Indochina

Digest

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TRADE/INVESTMENT

Vietnam updates

◆ **Peugeot plans plant** - On 16 March, the French car-maker Peugeot announced it will invest US\$30 million in a new car manufacturing plant outside Hanoi. The joint venture deal with Vietnam National Forestry Machines (FORMACH) has not yet received State Committee for Cooperation and Investment (SCCI) approval, but Peugeot hopes production will start by early 1997. About US\$20 million will go to construction of the plant and the remainder will be spent on developing component manufacturers. The plant will initially produce 5,000 automobiles, with production eventually expanding to 10,000. A sales and maintenance service network is also being planned.

◆ **Nestling in** - The *Vietnam Investment Review* reported on 12 March that Nestle SA of Switzerland has received a license from the SCCI to build a US\$24.3 million plant in Bien Hoa province. The plant will have a production capacity of 800 tons of instant coffee per year, and will also produce Milo, an instant chocolate drink. Nestle plans to export half of the instant coffee produced.

◆ **This Bud's for you** - Australia's Power Pacific Ltd. announced it plans to enter a joint venture agreement with US brewer Anheuser-Busch to promote projects in Vietnam. Anheuser-Busch, producer of Budweiser beer, will cover Power's interest in the Dong Nai Alcohol and Brewing factory north of HCMC. A final agreement is expected to be signed within the next 6 months.

◆ **Cellular scheme** - On 15 March, Millicom International Cellular announced its Vietnam subsidiary, Comvik International, has reached an agreement with Vietnam Mobile Services Co. to install and operate a nationwide cellular telephone system that will meet international standards. The deal is subject to SCCI approval.

◆ **CD in 3-D** - Three Vietnamese firms, Dihavina, Ho Guom Audio, and Saigon Video recently announced plans to manufacture compact discs for the domestic Vietnamese market, which is now controlled by CDs smuggled into the country from China. Dihavina, a state music publisher, will build a US\$2.5 million plant in Hanoi that will produce 400,000 discs per year. Vietnam has instituted intellectual property rights regulations.

◆ **Japanese phone system** - Nippon Telegraph and Telephone Corp. (NTT) subsidiary NTT International Corp. (NTTI) has been awarded a US\$25 million contract by Vietnam Post and Telecommunications to construct telephone networks in Hanoi. NTTI will construct 25,000 telephone lines over the next 18 months.

◆ **Thai bank office** - On 17 March, Thailand's Bank of Ayudhya opened a representative office in Hanoi, becoming the sixth Thai financial institution to establish an office in Vietnam. The bank has not yet decided whether it will open its first branch office in Hanoi or HCMC.

Vietnam land development updates

◆ **Hanoi office complex** - Hongkong Land, a subsidiary of Jardine Matheson Holdings, announced it has entered a joint venture with US investment firm Manolis and Company Asia and Chan Hung Polimex, a state-run firm, to develop a US\$30 million office building near the French colonial opera house in Hanoi. The venture, of which Hongkong Land holds majority interest, is the company's second in Hanoi. The office building is expected to be completed by 1998.

◆ **HCMC hotel deal** - On 14 March, *Reuters News Agency* reported that Lee Hing Development Ltd. will enter a joint venture with New World Development Co. to construct a 21-story, 388-room hotel in HCMC. The HK\$335 million (US\$43.5 million) hotel will open by the end of 1997 and will be managed by Renaissance Hotels and Resorts.

◆ **HCMC apartment complex** - Singapore's DBS Land announced on 14 March that Vietnam has approved a joint venture between DBS's subsidiary, Mekong Holdings Pte. Ltd., and two Vietnamese firms to build a US\$19.5 million residential project in HCMC. Mekong will hold a 64% stake in the venture, with Vietnam's Hacota Manufacture Export-Import and Tourism Co. and Minh Kien Construction Co. Ltd. holding 31% and 5%, respectively. The project, to be managed and marketed by DBS, includes 142 apartments and is expected to be completed in early 1997.

◆ **Taiwan** - On 13 March, the *Vietnam Investment Review* reported that the Jin Wen Group of Taiwan received approval for the largest foreign investment project ever in Vietnam, a US\$524 million property development project in HCMC. The 50-year joint venture with Vietnamese partners, the Urban Development Services Co., the Public Parks Co. and Ben Thanh Tourist Co. will develop a 21-story hotel, a 38-story office tower, and a shopping center in a park in the city's center.

Cambodia power plant

Construction began on a US\$40 million power plant to improve Phnom Penh's energy system on March 15. The project includes the installation of seven five-megawatt generators and the renovation of several buildings at Phnom Penh's Number 2 power plant. The work will be completed by a consortium that includes US-based Intercore and two Malaysian companies, Leader Universal Holdings Bhd and Delcom Services Sendirian Bhd. Italy's ENEL-Consortium will provide technical assistance [see *Digest*, 19 Aug].



VIETNAM

International relations

♦ **Cam into Africa** - On 15 March, Foreign Minister Nguyen Manh Cam began an eight-day, five-nation tour of southern Africa. Cam's delegation, which included officials from the Ministry of Trade, SCCI, and business executives, conducted a series of trade-related meetings in South Africa. Vietnam, which currently conducts low levels of trade with South Africa through international trading houses, wants to establish direct commercial links with that nation. Cam's delegation left for Mozambique on 17 March, and will also visit Zimbabwe, Zambia and Angola.

♦ **Aid for foreign aid** - On 16 March, the UN Development Program (UNDP) agreed to provide US\$525,000 for a program to assist Vietnam to improve its use of foreign aid and public investment money. Donor governments have complained that Vietnam's bureaucracy is slowing disbursement of aid. 'The aim of the project is to ensure that public resources and foreign development assistance will be effectively utilized in support of Vietnam's evolving market-based economy so that economic growth can be sustained,' said UNDP. The program will pay for advisors and consultants, training, equipment, and visits to Malaysia and Indonesia to observe their investment programming and monitoring procedures.

♦ **Italian aid** - On 15 March, Italian Foreign Minister Susanna Agnelli announced that Italy will provide Vietnam with credit loans worth 100 billion lire (US\$62 million) over the next two years. Agnelli made the remark during Vietnamese Deputy Premier Nguyen Khanh's visit to Rome. Agnelli and Khanh agreed that their two countries will strengthen cooperation in infrastructure construction and the development of private businesses.

♦ **South Korean customs accord** - According to the *Vietnam News Agency*, South Korea and Vietnam have agreed to exchange information on customs procedures in order to simplify trade between the two countries. The agreement, signed on 10 March, is the first of its kind for Vietnam and creates the legal basis for cooperation on customs issues with South Korea, Vietnam's fourth largest investor.

♦ **Thai fishing agreement** - Vietnam and Thailand agreed to conduct a joint survey of marine resources in the Gulf of Thailand. The agreement was reached during the first session of the Thai-Vietnamese Joint Committee on Fisheries and Order at Sea, held on 10-12 March in Phuket, Thailand. The two countries also agreed in principle to exchange all fishermen currently held in detention by each. There are 113 Thais in Vietnamese jails and seven Vietnamese in Thai jails.

The state of the state firms

According to an official survey by HCMC's department of finance, published on 13 March, about 70% of HCMC's state-owned firms are in poor financial condition, with 5% close to bankruptcy. The survey reported that some 30% of enterprises were profitable and emphasized improvements in some areas of financial management and the settlement of debts since economic reconstruction efforts were launched

three years ago. Corruption and the resistance of many companies to implement new government regulations are the biggest obstacles to economic reform. In the past 4 years Vietnam has cut the number of state firms by almost 50%.

Drug use costs

According to a report by the Ministry of Labor and Social Affairs illegal drug use in Vietnam costs the government US\$150 million a year. Vietnam has more than 180,000 addicts, of whom 70% are thieves and 35% are no longer able to work. On 15 March, two drug traffickers were executed by firing squad. A recent US State Department report states Vietnam's economic reforms and "the growing overall volume in Southeast Asian heroin trade have made Vietnam an emerging transit point." The report also states that the Vietnamese government has shown a willingness to help in efforts to combat drug cultivation and trafficking.

Vice-squad updates

♦ **Cultural services eyed** - On 16 March, 55 "waitresses" were arrested at a restaurant and karaoke bar in HCMC after reports that the club was a center for prostitution. The Kim Binh Club is a joint venture between the People's Committee of District Eight, through its Hoa Binh Center for Cultural Services, and the Taiwanese firm Tan Viet Co. Ltd. It caters to Taiwanese visitors. The police raid followed reports in *Tuoi Tre* that many of the more than 400 women working at the club were prostitutes. Police arrested the 55 women for not carrying identity papers, but all were released.

♦ **X-rated raid** - On 13 March, the *Vietnam News Agency* reported that three policemen were fired and a cultural affairs official was suspended in An Giang province for showing pornographic video films. Police seized 11 video cassettes and ten other films were taken to be screened by authorities. Sources said several police officers and cultural cadres engaged in organizing showings and sharing profits.

Demining, phase one

On 16 March, *Quan Doi Nhan Dan* reported that Vietnam finished the first phase of a mine-clearing operation in six provinces bordering China. The report said three years of work by army engineers managed to clear 2000 hectares (4500 acres) of mines in the Thanh Thuy, Vi Xuyen, Mong Cai and Lao Cai areas. *Agence France-Presse* reported that it will take several more years to remove all the mines along the 680-mile border. To make up for its numerical inferiority in troops, Vietnam laid far more mines than China during the 1979 fighting.

Whose fault is it?

An 11 March report said that the government has ordered the demolition of 250 houses on a dike protecting Hanoi from Red River flooding. The demolition, which will take place in May, will enable the inspection of damage caused by illegal construction [see Digest, 10 Mar]. Le Xuan Trinh, chairman of the Prime Minister's office, said this was a first round of demolition to allow inspection and emergency repairs before the rainy season. The weight of thousands of tons of construction materials has caused a 200-meter fault and at least 40 other cracks to develop in the dike. The cost of repairs could be as high as US\$60 million.

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
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CAMBODIA

Social fund (new entry)	Fund will support social and economic sub-projects, social services, and established small-scale credit schemes	Appraisal report being prepared	15 IDA	Will be required	Social Fund of the Kingdom of Cambodia
Phnom Penh power sector (Power sector rehab)	Rehabilitate/reinforce Phnom Penh's distribution system; provide tools and equipment; technical assistance	Appraisal mission is in the field	40 IDA	Japanese grant to fund consulting svcs in eng., envir., regulatory work	Electricite du Cambodge

Current projects with no changes, listed in previous issues of *IFD*: Agriculture productivity and rural development; Infrastructure rehabilitation, and Economic recovery credit

LAOS

Northern rural dev and watershed mgmt	Extend the Upland Agriculture Project to Luang Prabang, Oudomsay, and Phonsaly. Emphasize environmental issues and poverty alleviation	Project is being reidentifed	10 IDA	Consultant services to be determined	Department of Forestry and Environment
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	Credit signed on 4 Feb '95	19.2 IDA	Technical assistance for implementation will be provided under Belgian co-financing	Ministry of Health and Social Welfare
Structural adjustment credit III	Public admin, civil service retrenchment, financial supervision, privatize state-owned enterprises, public expenditure management	Identification mission is in the field	40 IDA	Consultants will be required	Ministry of Finance

Current projects with no changes, listed in previous issues of *IFD*: Land titling, Training and capacity building

VIETNAM

Dai Ninh hydropower (new entry)	Development includes dams and reservoir on Dong Nai River; an 11 km tunnel to divert water with powerhouse at downstream end; 302 km of transmission lines	Project ID has been completed	175 IDA	Will be required for project management	Electricite de Vietnam
Higher education reform and consolidation	Focus on policy, management and admin; encourage autonomy and accountability; support institutions	Preparation mission is in the field	50 IDA	To be determined	Ministry of Education and Training
National health	Improve govt ability to address changes in sector. Tech. assistance, medicines, equipment, malaria and AIDS control, health technology	Pre-appraisal mission is in the field	70 IDA	Req'd: tng, info mgmt systems, supervision, equip. procurement	Ministry of Health



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	Board presentation sched for mid-May	165 IDA	Req'd: for project management of all components	PowerCo. #2 HCMC
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Current projects with no changes, listed in previous issues of *IFD*: Irrigation rehabilitation, Land management, Banking system modernization, Forest conservation and barren land development, Population and family health, Highway rehabilitation II, Water supply

* 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 MAR 95	2,625	729	11,213
10 MAR 95	2,625	729	11,213

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 MAR 95	16 FEB 95	05 JAN 95
	\$0.57/\$0.59	\$0.60/\$0.62	\$0.64/\$0.66

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)	15 MAR 95 £ 27 23/32	03 MAR 95 £ 31 25/32	16 FEB 95 £ 33 3/32
Vietnam Frontier Fund - net asset value per share (partially paid in)	28 FEB 95 US\$ 4.97	31 DEC 94 US\$ 4.96	30 NOV 94 US\$ 4.97
The Vietnam Fund Ltd. - net asset value per share (fully paid in)	28 FEB 95 US\$ 10.77	31 DEC 94 US\$ 10.79	30 NOV 94 US\$ 10.68
Templeton Vietnam Opportunities Fund - price per share	16 MAR 95 US\$ 10 3/8	02 MAR 95 US\$ 11 3/8	16 FEB 95 US\$ 11 5/8

INVESTMENT FUND INFORMATION

Templeton Vietnam Opportunities Fund - performance for third quarter, ending 31 December 1994

Earnings from net investment income: US\$ 467,180, equal to US\$ 0.06 per share

Net realized and unrealized losses: US\$ 6,771,113, equal to US\$ 0.88 per share

Net assets of fund as of 31 December 1994: US\$ 105,739,664

Net asset value per share as of 31 December 1994, based on 8,047,093 shares outstanding: US\$ 13.14



CAMBODIA

ICORC meeting

Representatives of more than 40 donor countries and organizations met in Paris on 14-15 March for the third gathering of the International Conference on the Reconstruction of Cambodia (ICORC). Earlier ICORC meetings, in Paris in September 1993 and in Tokyo in March 1994, resulted in US\$1.6 billion in contributions, according to the World Bank. On 16 March, Prime Minister Norodom Ranariddh announced Cambodia received "unconditional" pledges of US\$472 million for this year, and a total of US\$1.3 billion for 1995 and 1996. Ranariddh said that "multilateral aid will be US\$212 million," with the World Bank providing US\$75 million, the ADB providing US\$48.5 million, and the IMF providing US\$40 million.

Some organizations and individuals used the meeting to call attention to problems of corruption, human rights violations and deforestation in Cambodia. Human Rights Watch/Asia's recent report, "Cambodia at War," states that the Cambodian government and military have committed some of the "worst human rights abuses since the end of the UN peacekeeping mission" in 1993. Amnesty International's report, "Human rights and the new government," states that "in the past 18 months, the government of Cambodia steadily undercut the positive human rights legacy created under the former UN administration." Amnesty International has asked donor countries to link future aid to improvement in Cambodia's "deteriorating human rights situation." Cambodia's Secretary of State for Information, Khieu Kanarith, called the reports unfair. "They don't have all the data. They haven't been here long enough to make their studies," he told Reuters News Agency.

In his opening address at ICORC, French Economy Minister Edmond Alphandery said that Cambodia "must resolutely and quickly set up an institutional and judicial framework which is respected by all parties. France urges the Cambodian government to rapidly pass laws governing civil rights, the penal code and banking. This will show the international community its will to actively pursue reforms which are vital for law and order."

The father of French hostage Jean-Michel Braquet, who was killed with two other hostages by Khmer Rouge guerillas last September, used the ICORC meeting as an opportunity to issue an open letter to first and second ministers Ranariddh and Hun Sen, criticizing the government's handling of the hostage crisis. The letter said that although it was the Khmer Rouge who carried out the killings, "it is not only those who pull the trigger who are murderers." Braquet added that the three hostages died because of "your government's negligence and cynicism."

On 14 March, Ranariddh and Hun Sen met with French President Francois Mitterrand. Following the ICORC meeting, Hun Sen was scheduled to travel to New York where he will meet with UN Secretary General Boutros Boutros-Ghali, to discuss human rights issues and UN-funded development projects. On 15 March, Cambodian Foreign Minister Ung Huot paid an official visit to London.

FAO meeting on deforestation

The Minister of Agriculture, Fisheries and Forestry, Tao Seng Hour, led a delegation to Rome to attend the "Forestry Development and the Environment" conference, organized by the UN Food and Agriculture Organization. Prior to his departure on 10 March, Seng Hour said that before 1970, 73% of Cambodia was covered with forests, while today "about 40% of the country is forested."

Khmer Rouge abduct villagers

On 11 March, Khmer Rouge guerillas abducted 31 villagers from Sneung village in Battambang province, according to information ministry spokesman Sieng Lapresse. Citing reports from a Battambang provincial official, Lapresse said one of the villagers escaped and alerted authorities. On 15 March, *Agence France-Presse* reported that the 30 villagers were shot and killed, but there was no independent confirmation of the killings. Also on 11 March, Battambang provincial authorities distributed weapons to peasants to form local militias to guard against Khmer Rouge attacks. "Local people in rural areas of Battambang province requested arms to protect their lives, villages and belongings because the Khmer Rouge forces now pose a serious threat to the people," an official said.

Report: repatriation effort failed

On 17 March, World Vision released a report stating a UN repatriation scheme for Cambodians returning from Thai border camps after the peace agreement was signed was failing. World Vision conducted 300 interviews with refugees in Battambang. The report indicated many of the returned refugees are living in poverty, with 40% of refugee families unable to feed themselves. Under the UN scheme, refugees were promised two hectares (five acres) of land, but a chronic shortage of land has left this promise unfulfilled. "Now that they are home the returnees might be considered a solved problem, but that is clearly not the case," said World Vision project director Paul Davenport.

Chinese demining effort

Following a recent visit to Phnom Penh, Chinese Vice Foreign Minister Tang Jiaxuan said China will help the Cambodian government in its mine clearing efforts, acceding to a request from King Norodom Sihanouk. China supplied vast quantities of landmines to its former ally, the Khmer Rouge, which are now in place in Cambodia.

Chamber of Commerce consideration

According to a 16 March *Reuters News Agency* report, the government of Cambodia is planning to establish the country's first chamber of commerce. While enthusiastic about the initiative, foreign business executives expressed concern over the "consultative" role of the government and the level of its control of the organization. According to the draft law of the Organization of the Chamber of Commerce, advisory members, which could include government officials, will "provide consultation only." Debate on the draft law will begin in parliament within a few months.



REGION

Oil-rich Spratly theory again debunked

On March 13, Edward Durkee, president of the Manila-based oil exploration firm Cophil Resources Corp., stated that existing data suggests that there are unlikely to be significant oil deposits beneath the disputed Spratly Islands. Durkee, a former technical advisor to Crestone Energy Corp., argued that the presence of thick carbonate banks in the area mitigated against any big oil deposits and would also serve as an obstacle to drilling. "It is hardly an area overall worthy of risking a war for if oil and gas is the objective," Durkee said. The East-West Center's Feridun Fesharaki also said the Spratlys lack significant oil reserves [see *Digest*, 10 Mar].

REFUGEES

Refugee program ending

On 16 March, representatives of first asylum countries, donor countries and the UN High Commissioner for Refugees (UNHCR) attended a meeting of the International Conference on Indochinese Refugees in Geneva. The participants said that the remaining 41,000 Vietnamese and 11,000 Laotians living in camps throughout the region must return home this year. "To those who still linger in the camps in the false hope of being resettled, I wish to say to them again: do not lose any more time, seize your opportunity now and return home as quickly as possible to take advantage of international assistance while it lasts," the

UNHCR Sadako Ogata said. Ogata urgently appealed to donor countries to provide the US\$74 million necessary to finance the program for another year. Conference chairman Werner Blatter said the UNHCR had received just one million dollars of the \$74 million needed, and that if donor countries don't respond, "we will have to cut the assistance to a bare minimum of food and water."

According to *Reuters News Agency*, the US broke ranks at the meeting over the fate of the Lao migrants in Thailand, stating that resettlement abroad "should remain an acceptable durable solution" for the vast majority of Laotians. The US is preparing to consider immigration for some of the Lao with credible refugee claims.

Bataan camp detainees evicted

On 16 March, 272 Vietnamese were transferred from the Bataan camp outside Manila to the Palawan camp for processing before being returned to Vietnam. The Vietnamese have refused to leave the camp since 31 December after it was officially closed and all services ended [See *Digest*, 23 Feb]. As police entered the camp to escort the group, protesters gathered on bunkhouse roof tops, and many threatened suicide. Two teenagers suffered self-inflicted knife wounds. Another Vietnamese doused himself with gasoline and attempted to set himself on fire before being stopped. Resistance ended when one of the leaders convinced the protestors to leave peacefully under police escort. On 17 March, police reported that 34 Vietnamese were discovered missing during the transfer and that a search was underway. According to a local police official, the missing refugees may have started slipping out of the camp as early as December.

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