



Indochina

Digest

Vol. VIII

19 May 1995

No. 20

TRADE/INVESTMENT

Vietnam urges increased use of local firms

The Minister of Construction signed a circular last week pressing foreign firms to contract more services from local construction and engineering companies. The circular states: "For construction projects carried out under business cooperation or joint venture contracts, the foreign engineering consultant firm has to cooperate by means of contract with a local engineering company to carry out the design of that construction project." It further states that foreign firms can only bring in personnel or expertise that Vietnam cannot supply and that bidding to select contractors for foreign-invested projects must take place in Vietnam.

Vietnam updates

◆ **Rice export restrictions** - The director of planning for the Ministry of Agriculture, Huynh Xuan Hoang, announced on 18 May that Vietnam will restrict rice exports over the next four months in order to guarantee domestic supplies [see *Digest*, 12 May]. Hoang said that between June and September, about 400,000 tons of rice will be available for export, but that demand for the period exceeds 600,000 tons. He additionally said current contractual obligations exceed 400,000 tons, and some would have to be canceled.

◆ **Imperial resort** - On 14 May, *Vietnam Investment Review* reported Malaysia's Goh Hock Guan company is planning to invest US\$408 million in tourism projects near Hue. The joint venture with Thua Thien-Hue Tourist Company will include constructing tourist resorts, upgrading a hotel, and establishing a tourist service center in Hue. Goh Hock Guan has 30 days to present a feasibility study to the SCCI. Last year, 130,000 tourists visited Hue and 46,000 tourists visited in the first three months of 1995.

◆ **South Korean steel tubes** - On 16 May, *Saigon Giai Phong* reported South Korean firms Daewoo Corp and Pusan Steel Pipe Corp signed an agreement to build a US\$22 million steel tube plant at Bien Hoa in Dong Nai province. The local partner, Water and Sewage Construction Company, will own 49% of the joint venture and the Korean partners will own 51%. The plant will produce 70,000 tons of tube a year, 70% for export.

◆ **Taiwanese textiles** - On 16 May, Taiwanese textile firm Hualon Corp announced plans to invest US\$30 million to establish a chemical fiber plant near HCMC. The plant, which has yet to receive government approval, will produce polyester chips and filaments. Hualon will control 40% of the venture, which is expected to be completed by 1997.

◆ **South Korean industrial complexes** - On 14 May, South Korea's Korea Land and Development Corp announced it has agreed in principle with Vietnam's State Planning Committee to build three industrial complexes. Under the agreement, companies operating in the complexes would be granted the same privileges as those operating in Vietnam's export processing zones, which include exemption from tariffs and simplified trading procedures. The first complex, to be completed in 1997, will be located in Hanoi, with the others in central and southern Vietnam.

◆ **French sugar** - On 17 May, Groupe SB of France announced it signed an agreement with two Vietnamese firms, Vinasugar II and Union des Sucriers de Tay Ninh, to build a raw sugar refinery in Tay Ninh province. The US\$95 million project is scheduled to be completed in 1997. The refinery will have an initial capacity of 8,000 tons a day. The joint venture company will also pay US\$4 million to develop 16,000 hectares of land for raw sugar production and to establish a 40 hectare test bed for new sugar varieties. The Vietnamese partners will invest 30% of the capital and foreign investors will provide the remainder.

VIETNAM

Cam visits China

On 18 May, Foreign Minister Nguyen Manh Cam met with Chinese Premier Li Peng in Beijing, with both sides emphasizing the growing cooperation between Vietnam and China. Peng noted the nations are both socialist countries focusing on economic development and therefore share common ground in many areas. While in China, Cam also met with Vice-Premier and Foreign Minister Qian Qichen and held "friendly, frank and sincere" talks on territory and border disputes. With respect to the Spratly Islands dispute, Qian said: "We do not want to see a tense situation produced by distorted facts [and] intentional exaggerations." Both sides agreed that since the issue is a complicated one, it should be settled gradually with the easier points being addressed first.

Cam and Qian agreed that the first meeting of the Sino-Vietnamese joint committee for economy and trade, and negotiations "on border and territory", will be held in July. They also agreed to establish a working group to discuss problems in the South China Sea, initiated during Chinese leader Jiang Zemin's visit to Hanoi last year. The officials also addressed issues relating to bilateral economic and trade cooperation, increasing two-way investment, Vietnam's entry into ASEAN, and bilateral tax agreements.



Statue of limitations

An official visit to Hanoi by Canada's secretary of state for Asia and the Pacific, Raymond Chan, was postponed after the Vietnamese government objected to a statue erected in Ottawa by Canada's Vietnamese community. The statue was unveiled in front of hundreds of spectators on the 20th anniversary of April 30, 1975. According to a spokesman for the Foreign Ministry, the unveiling of the statue "created an unfavorable atmosphere" for the visit, which has been postponed until a more "convenient time." On 17 May, a Canadian Embassy official in Hanoi told *Reuters News Agency* that both sides agreed the row was unfortunate, and to concentrate on developing positive aspects of relations such as trade and investment.

Ho's birthday commemorated

The 105th anniversary of the birth of Ho Chi Minh was celebrated on 19 May. In an address at an official celebration, Secretary General of the Communist Party Do Muoi urged national leaders to fully comprehend Ho's thoughts on solving theoretical and practical problems. "Now, when the cause of renovation is deepening, many more new and complicated issues have emerged," Muoi said. "His thoughts guided the path to victory for our people then, and they do now as well."

ILO report

On 12 May, the International Labor Organization (ILO) released an economic and employment report on Vietnam. The report said that although Vietnam has gone the furthest of all previous command economies in reforming its economy, the country faces a huge task of relocating displaced workers. In the past few years, 1.5 million state employees have lost their jobs due to the reforms, 500,000 soldiers have been demobilized, and 250,000 Vietnamese workers have returned from Eastern Europe. The report suggests agricultural workers remain in rural areas instead of going to urban areas, where the rate of unemployment is 25%. In order to tackle unemployment, the ILO suggested Vietnam promote small enterprises, increase training to meet the demand for skilled labor, and support an active labor market policy.

World Bank power loan

On 18 May, the World Bank announced it approved a US\$165 million power sector loan to reduce power shortages, lower the cost of electricity generation, and bring electric power to thousands of homes and businesses in HCMC, Hue, and Nha Trang. The loan for the "Power Sector Rehabilitation and Expansion Project" is on standard International Development Agency (IDA) terms.

Battlefield tourism

Vietnam's Military Science Institute and officials in Quang Tri province are planning to restore several bunkers and electronic listening posts along the DMZ to use as tourist attractions. The former barrier, referred to as "McNamara's Wall," was built to monitor North Vietnamese troops during the war. Battlefield tourism is a growing business in Vietnam as veterans return to visit places where they fought.

CAMBODIA

Khmer Rouge retreat

Khmer Rouge guerillas retreated to the Pailin area after government troops drove them from Treng in northwestern Battambang province [see *Digest*, 12 May]. The Khmer Rouge took control of Treng, a government outpost 28 miles south of Battambang town, on 3 May. The government rushed in reinforcements, and retook Treng on 11 May, but failed to cut the Khmer Rouge's line of retreat. General Hok Lundy said 600 guerillas and about 10 tanks retreated from Treng. Before retreating, the Khmer Rouge laid hundreds of anti-personnel and anti-tank landmines to hinder government mop-up operations.

Landmines cleared

An area of more than 100 hectares (247 acres) in Banteay Manthey province, which includes six villages, was cleared of anti-personnel landmines following a demining operation that lasted just over one year. At a 13 May ceremony to transfer the land to the government for redistribution, First Prime Minister Prince Norodom Ranariddh praised the Cambodian Mine Action Center (CMAC) for their achievement. "Six areas were dangerous minefields. Three million square meters have been cleared of mines and turned over for villages, homes, schools, and hospitals," Ranariddh said. The villages now have living space for 259 families. According to CMAC director, Ieng Mouly, 30 villagers were killed and 61 injured from landmines before CMAC began working in the area.

Updates

♦ **Bank audits** - On 18 May, *Reuters News Agency* reported that due to the collapse of the Credit Bank of Cambodia [see *Digest*, 12 May], the National Bank of Cambodia will conduct a rigorous inspection of the 29 licensed local and foreign banks operating in Cambodia. Auditing by local firms and international firms, including KPMG Peat Marwick and Ernst & Young, will be completed within three months. A bank official told *Reuters* that the inspections will likely result in the cancellation of more banking licenses.

♦ **Custom earnings** - The government earned more than US\$14 million in customs revenue in April, and similar amounts in February and March, according to Sar Ho, director of the Customs Department. Most of the revenue came from duty collected on the export of timber. Customs revenue is projected to fall by 10% following the government's decision to ban timber exports, Ho said.

♦ **Plowing ceremony** - On 18 May, Cambodia held its annual plowing ceremony to mark the start of the rice planting season. King Norodom Sihanouk attended the plowing ceremony for the first time in over 25 years, but delegated the plowing to his son, First Prime Minister Prince Norodom Ranariddh, stating he was too old to plow. Over 2000 spectators attended the ceremony.

♦ **Olympic meeting** - Juan Antonio Samaranch, chairman of the International Olympic Committee, arrived in Cambodia on 19 May for a two-day visit to meet with King Norodom Sihanouk and Co-Premiers Prince Ranariddh and Hun Sen. Samaranch also met with Cambodian sports officials.



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

Social fund	Fund will support social and economic sub-projects, social services, and established small-scale credit schemes	Negotiations completed	20 IDA	Will be required	Social Fund of the Kingdom of Cambodia
Agriculture productivity & Rural dev	Project will include rainfed crop dvlpmt, livestock production, rural roads rehab, irrigation, training, rubber research, and community development	Identification mission completed	25 IDA	To be determined	Min of Ag, Forestry & Fisheries, and Min of Rural Dvlpmt
Urban Infra-structure rehab	Project is likely to include water supply and sanitation, urban road rehab, and an institutional development component	ID mission sched for mid-1995	35 IDA	To be determined	To be determined

Current projects with no changes, listed in previous issues of *IFD*: Phnom Penh power sector, Economic recovery

LAOS

Structural adjustment credit III	Project will assist gov't institutional strengthening in areas of: legal reform, financial sector reform, SOE reform, public sector mgmt, public admin, civil svc retrenchment, and safety nets	Pre-appraisal mission sched for April '95	40 IDA	Consultants will be required	Ministry of Finance
----------------------------------	--	--	--------	------------------------------	---------------------

Current projects with no changes, listed in previous issues of *IFD*: Land titling, Education II (formerly Training and Capacity building), Highway improvement III

VIETNAM

Irrigation rehabilitation	Rehabilitate and complete 5-7 irrigation schemes; institutional strengthening of the Ministry of Water Resources	Negotiations completed	100 IDA	Req'd: for design, construction supervision	Ministry of Water Resources
Inland waterways	Rehabilitate and upgrade 700 km of primary inland waterways and ancillary facilities in the Mekong Delta (HCMC) and rehab the Port of Can Tho	Pre-appraisal mission sched for June '95	46 IDA	Req'd: enviro impact assessment; technical, econ feasibility studies	Ministry of Transport
Land mgmt	Project will support first phase of program to issue land-use certificates and improve land administration	Project preparation is underway	80 IBRD	Consultants to be hired for project prep under Japanese grant facility & AIDAB	Department of Land Administration

Current projects with no changes, listed in previous issues of *IFD*: Higher education reform and consolidation, Banking system modernization, Rural finance, Forest conservation and barren land development, National health, Population and family health, Dai Ninh hydropower, Power sector rehab and expansion, Highway rehabilitation II, Structural adjustment II (formerly structural adjustment), 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 (<i>Riel</i>)	Laos (<i>Kip</i>)	Vietnam (<i>Dong</i>)
12 MAY 95	2,190	729	11,212
5 MAY 95	2,300	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)	18 MAY 95 \$0.60/\$0.61 1/2	14 APR 95 \$0.56/\$0.58	16 MAR 95 \$0.57/\$0.59

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)	18 MAY 95 £ 29 5/8	12 APR 95 £ 27 7/8	15 MAR 95 £ 27 23/32
Vietnam Frontier Fund - net asset value per share (partially paid in)	30 APR 95 US\$ 4.95	28 FEB 95 US\$ 4.94	28 FEB 95 US\$ 4.97
The Vietnam Fund Ltd. - net asset value per share (fully paid in)	30 APR 95 US\$10.83	28 FEB 95 US\$ 10.81	28 FEB 95 US\$ 10.77
Templeton Vietnam Opportunities Fund - price per share	18 MAY 95 US\$ 13 3/8	10 APR 95 US\$ 11	16 MAR 95 US\$ 10 3/8

INVESTMENT LICENSES GRANTED TO COMPANIES WITH US INVESTORS

Company	Location	Amount US\$1,000s
Phu Quy Far East Co	HCMC	625
Insytek Co, Ltd	HCMC	177
US Fashion Co, Ltd	Dong Nai	3,250
Nam Hai Co	Minh Hai	4,116
3M Vietnam	HCMC	2,146
Vector Vietnam Co, Ltd	Hanoi	5,586
V-TRAC Infrastructure Dev	Hanoi	10,050
IBM Vietnam Co, Ltd	Hanoi	1,700
Thai Binh China Co	Thai Binh	280
Tourist Co, Ltd	HCMC	558
Vinagra Co. JV	HCMC	1,500
Bimin JV	HCMC	200
Viet-My Pharma Co. JV	Vinh Phu	6,000
West Lake Int'l Highrise	Hanoi	9,900
Crown-Vinalimex JV	Ha Tay	41,340

My An China Brick JV	Song Be	16,614
Dong Phu Coffee JV	Song Be	8,900
Viet-My Granite Co. JV	Khanh Hoa	5,500
Delta Equip. & Const. Co	Hanoi	9,000
Viet-My Quang Trung JV	Binh Dinh	1,000
Viet-My Mineral Water JV	Quang Tri	3,222
Viet-My Inv. & Const. Co	Hue	15,000
Viet-My Rice Prod Export JV	Can Tho	17,930
Milk Processing JV	Son La	1,920
Otis-Lilama JV	Hanoi	2,449
Saigon Concrete Co #5. JV	HCMC	2,299
Deloitte Touche Tohmatsu Co	Hanoi	1,509
Phu Yen Auto Repair	Phu Yen	1,009
Thanh Long PSC	---	55,009
Non Nuoc Tourist Area	Da Nang	243,009

SOURCE: State Committee for Cooperation and Investment

REGION

Showdown at Mischief Reef

According to pool reports filed by journalists on 16 May, a standoff between Philippine and Chinese vessels occurred on 14 May near Mischief Reef in the Spratly Islands. A Philippine Navy ship, the Benquet, was conducting a tour of the area for 39 Philippine and foreign journalists, organized by the Philippine Defense Ministry [see *Digest*, 12 May]. As the Benquet neared Mischief Reef, two Chinese fishing vessels cut across its bow, forcing the Benquet to stop. A Philippine patrol escort moved between the Chinese boats and the Benquet, while Benquet launched a series of seven helicopter sorties to take the journalists over Mischief Reef. The helicopters flew as low as 30 feet over the area, giving journalists a view of Chinese structures built on the island. Two Chinese boats, identified as frigates, were seen approaching the area from 15 nautical miles away. The 70-minute standoff ended when the helicopter sorties were completed and the Benquet backed off to continue to its next destination. A Philippine commander said: "We were eyeball to eyeball. We did not blink."

On 16 May, Chinese Foreign Ministry Spokesman Shen Guofang said: "We advise the other side not to misinterpret China's restraint, but instead return to the correct path of negotiations to resolve the dispute. The Philippines side ignored China's solemn warning and wilfully carried out the activity. This seriously encroached on China's sovereignty. If the other side clings obstinately to its course and wilfully takes dangerous actions, it must bear the full responsibility for any serious consequences."

US State Department spokesman Nicholas Burns called Shen's statement quite strong and said China should refrain from such declarations. Burns noted the US takes no position on the various claims to the Spratlys, but has an important national interest in freedom of navigation in the area. "We certainly would call upon all governments in the area to refrain from the threat of the use of force or the use of force to resolve the international dispute in the Spratlys," he said.

In Manila, Philippine President Fidel Ramos told reporters on 17 May that the journalists' tour was not intended to provoke China. "It was non-provocative, non-confrontational, entirely peaceful," he said. "This is an exercise of our freedom of expression." In response to China's accusation that the tour would "internationalize" the issue, Ramos said: "It has been international to start with because there are six claimant countries. By the very nature of the problem, it is already internationalized. It is not the Philippines that internationalized it."

On 18 May, Shen told a news conference that: "China's actions to safeguard its sovereignty over the islands do not affect foreign vessels plying international waters in the South China Sea or freedom and safety of flights." Shen repeated China's desire to resolve the Spratly issue through bilateral talks: "In view of the complex nature of this issue, simple issues should be settled before more difficult issues. We don't want to see the intensification of problems which distort facts."

US POLICY

Presidential delegation

A presidential delegation headed by Deputy Secretary for Veterans Affairs Hershel Gober, Assistant Secretary of State Winston Lord, and Deputy Assistant Secretary of Defense James Wold visited Vietnam from 15-17 May, followed by a visit to Laos. In Hanoi, the delegation met with Secretary General of the Communist Party Do Muoi, Prime Minister Vo van Kiet, and officials of the ministries of foreign affairs and defense. Highlights:

◆ **Press statement** - On 16 May, the delegation issued a press statement from the US Liaison Office, which said in part that the delegation "expressed appreciation for its continued cooperation on joint recovery efforts and for its unilateral activities." According to the statement, the Vietnamese government, "as a result of its unilateral efforts, has provided valuable new information which we believe should advance the cause of fullest possible accounting. The materials include more than 200 pages of analysis, sketch maps, and witness data."

◆ **On MIA results** - The delegation said the US was getting "tangible results" in its efforts to account for missing Americans. "We agree, both sides, that there has been quite tangible progress, and we are discussing ways and means to continue our cooperation," Vietnam's Deputy Foreign Minister Le Mai said. "It took a lot of effort to put together what they did," Gober said. When asked what more Vietnam could do, Lord answered: "We cannot of course be 100% sure of everything they know and they hold, but we have a great gratification for the work they have done. We have no reason to believe that they are not making a good faith effort." Wold said: "We are getting results, and the question of how much and is it sufficient, that will be made at the highest levels."

◆ **On normalization** - On the question of normalization of diplomatic relations with Vietnam, Gober said that the decision rests with the president. "He alone will make the decision after consulting with his advisors," Gober said. "I can't tell you if that's going to happen, when it's going to happen. Some day it's bound to happen."

◆ **On further cooperation** - Prime Minister Kiet said that Vietnam would "actively cooperate with the US in settling the MIA issue, without attaching it to political issues," the *Vietnam News Agency (VNA)* reported. Kiet also said both governments should "promptly grasp the opportunity to establish normal relations as it would serve the mutual benefit of the two countries."

◆ **On regional security** - According to VNA, Secretary General Muoi said Vietnam welcomes US security backing. "We look forward to active contribution on the part of big countries, among them the United States, to join the Southeast Asian countries in maintaining peace and stability for development cooperation in this region," Muoi said. At a 17 May press conference in Bangkok, Lord said: "It is true that the Vietnamese leaders did indicate that they welcome the American presence in the Asia Pacific region as a stabilizing force in general."



◆ **On human rights** - Lord said the delegation discussed specific human rights cases that concern the US government. Lord said human rights conditions will help determine "the warmth and intensity" of its relationship with the US.

◆ **On narcotics cooperation** - In Hanoi, Lord said a senior expert from the US State Department will arrive in Hanoi in a few weeks to discuss ways to help control drug trafficking in Vietnam. Although Vietnam has become a conduit for heroin produced elsewhere in Southeast Asia, last February President Clinton determined that Vietnam was working to achieve the goals of the 1988 UN convention against illegal drug trafficking.

◆ **On lifting the aid embargo on Laos** - On 18 May, the delegation announced the US government's decision to remove Laos from the prohibitions of the Foreign Assistance Act for an indefinite period. The change will take effect after Congress is notified and the decision is published in the *Federal Register*. According to the statement released by the US embassy in Vientiane, "While this action removes the legal obstacle to assistance, it does not guarantee new funding for Laos, especially given proposed Congressional reductions in the US foreign assistance budget for the coming year."

Congress: anti-normalization resolution

On 18 May, eight Republican senators introduced a joint resolution (S.J. Res. 34) that would prohibit funds for full diplomatic relations and granting of most favored nation (MFN) status to Vietnam unless the president certifies to Congress that the Vietnamese are being fully cooperative

and forthcoming on efforts to account for missing American servicemen. Senator Bob Smith (R-NH) proposed the resolution, with backing from presidential candidates Senators Bob Dole (R-KS) and Phil Gramm (R-TX), and Senators Helms (R-NC), Thurmond (R-SC), Grassley (R-IA), Campbell (R-CO), and Thomas (R-WY). The "Vietnam POW/MIA Full Disclosure Act" was referred to the Committee on Foreign Relations. A similar resolution is to be introduced by Congressman Benjamin Gilman (R-NY) in the House.

FYI

Forum participants

Following is a partial listing of delegates from Indochina who will participate in the Sixth Annual Conference of the Forum on Vietnam, Cambodia and Laos in New York on 8-11 June. Cambodia: Ieng Mouly, Minister of Information and Director of the Cambodia Mine Action Center; Cham Prasidh, Minister of Commerce; Mok Mareth, Minister of Environment. Laos: Boonme Douangthongdla, Director, Social Welfare Department; M. Thongpachan, Committee for Planning & Cooperation. Vietnam: Nguyen Quang Tao, President, Union of Friendship Organizations; Bach Tan Sinh, director of environmental policy studies of the Ministry of Science, Technology and Environment; Cao Minh Thi, director of the HCMC education and training department; and Vu Xuan Hong, Secretary General of the Vietnam-USA Society. For information on the conference, call the Forum at 212-764-3925, or fax: 212-764-3896.

The *Indochina Digest* is published weekly by the Indochina Project, a non-profit program of the Vietnam Veterans of America Foundation. Articles are based on wire service stories, published news accounts and staff reporting from a broad network of primary sources. Reprint of Digest material is encouraged, but attribution is requested. Reader contributions, corrections and comments are invited. If you would like more information on any of these articles or to subscribe to the *Digest*, contact the Indochina Project.

Indochina



Project

2001 "S" St., NW, Suite 740
Washington, DC 20009
USA
Phone: (202) 483-9222
Fax: (202) 483-9314