



# Indochina

## Digest

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### TRADE/INVESTMENT

#### Vietnam investment tax revenue

During the first six months of 1995, foreign firms and joint ventures with foreign partners paid 3791 billion *dong* (US\$344.6 million) in taxes, a 44% increase over the same period in 1994. Vietnam granted more than 200 foreign investment licenses to foreign companies in 1995, worth US\$4 billion. Japan was the leading investor, with 30 projects worth US\$755 million.

#### Vietnam calls for chemical investments

In a 4 July article in the *Vietnam News*, Nguyen Xuan Chuan of the Ministry of Heavy Industry said Vietnam is seeking US\$400 million of foreign investment in chemical industry projects. Chuan said Vietnam needs US\$176 million for a project in Vinh Phu province to produce 276,000 tons of triple super-phosphate per year, two fused thermal phosphate plants requiring investments of US\$10 million and US\$5 million, US\$50-80 million for a factory to produce vehicle tires, and US\$120 million for a factory to produce methanol, formalin, and glue. Chuan said Vietnam has granted 61 foreign investment licenses worth US\$481 million for chemical projects, which represents only 3% of the total US\$15 billion in foreign investments licensed since 1988.

#### Vietnam insurance updates

◆ **Foreign participation** - The *Vietnam Investment Review* reported that Deputy Prime Minister Pham van Khai recently recommended to the finance ministry that foreign insurers be allowed to participate in the domestic insurance market. Khai said the government should encourage the establishment of joint insurance companies and improve the development of private domestic companies. When the market conditions are adequate, Khai said, foreign-owned insurance companies should be allowed to operate in Vietnam. Vietnam will retain control over the insurance market, and the interests of state-owned insurance companies will be protected.

◆ **Singapore** - On 30 June, Singapore's Asia Insurance Co Ltd announced it has received approval to open representative offices in Hanoi and HCMC. Asia (Singapore) is an associate of Hong Kong's Asia Insurance Co Ltd, Thailand's Bangkok Insurance Public Co Ltd, and Indonesia's P.T. Asuransi Central Asia.

◆ **Switzerland** - Zurich Insurance Co announced it has received permission to open a representative office in HCMC on 29 June to advise international customers. The company has already concluded cooperative agreements with Vietnam's insurance companies BaoViet and BaoMinh.

#### Vietnam oil updates

◆ **Mobil drilling** - MJC Petroleum Co, a consortium of Mobil Corp and Japanese companies, will begin drilling a second wildcat well in the Blue Dragon field sometime in July. The first test drilling, which began in August 1994, was abandoned in February after running into a pocket of unusually high pressure. "Despite the failure of the first trial, we still expect at least 600 million barrels of crude oil reserves at Blue Dragon field," a spokesman for MJC said.

◆ **Mitsubishi drilling** - On 6 July, an official of Mitsubishi Oil Co Ltd said the firm's third wildcat well in offshore oil block 15-2 will be completed by August. "We should know by the end of this month if there will be fireworks or not," the official said. After the well is complete, Mitsubishi will begin evaluation wells around the first well where a stabilized oil flow of 14,389 barrels per day was achieved last year. A second test well yielded no natural oil flow.

◆ **Anzoil drilling** - On 27 June, an official of Australia's Anzoil NL said the company intends to start drilling at three onshore sites in December. In 1993, Anzoil won exploration rights to a concession comprising 4750 square kilometers surrounding the Tien Hai oil and gas field, southeast of Hanoi. Anzoil recently completed extensive onshore seismic work, and is in the final stages of interpreting the results.

◆ **BHP dragging** - On 3 July, Australia's Broken Hill Propriety (BHP) Petroleum chief executive John O'Connor told a business seminar in Australia that BHP is conducting talks with Vietnam aimed at changing the tax treatment of the *Dai Hung* (Big Bear) oil field, which could affect BHP's profitability. O'Connor said that the *Dai Hung* field is not commercially attractive, since the present fiscal terms were based on the field being larger than it proved to be. BHP, which owns 43.75% of the oil field, initiated talks to modify the fiscal terms of the agreement. O'Connor said the talks are expected to drag on for some time.

#### Vietnam-Korea updates

◆ **Samsung** - On 25 June, South Korea's Samsung Corp and Cheil Industrial Co Ltd announced plans to invest US\$193 million to build a polyester fabric plant at the Nhon Trach industrial complex in Dong Nai, north of HCMC. The plant, which is awaiting government approval, will export 60% of its production.

◆ **Hyundai** - On 4 July, South Korea's Hyundai Pipe Co Ltd, a subsidiary of the Hyundai Group, announced it has reached a US\$11 million joint venture agreement with Vietnam's Huy Hoang Co Ltd to produce steel pipe. A Hyundai official said the two firms will sign the contract before the end of July, and begin construction in November for completion in early 1996.



◆ **Pohang** - On 26 June, South Korea's Pohang Iron and Steel Co (POSCO) announced it received a license to build a construction steel plant in Dong Nai [see *Digest*, 30 Dec]. The US\$17.12 million joint venture with Vietnam's Union of Machinery Assembly Enterprises (LILAMA) is expected to produce 9000 tons of construction steel products in 1996 and 15,000 tons by the year 2000.

### Vietnam-Japan updates

◆ **Honda** - On 3 July, *Saigon Giai Phong* reported that Japan's Honda Motor Co Ltd has agreed to establish a US\$140 million motorcycle plant in Vinh Phu province [see *Digest*, 17 Feb]. Honda will have a 70% interest in the joint venture, with Vietnam's Agriculture Machines Co, a unit of the Ministry of Heavy Industry, holding the remaining 30%. The plant is scheduled to begin producing motorcycles in 1997 at an initial rate of 300,000 motorcycles per year, which will eventually increase to 600,000 per year.

◆ **NKK/Marubeni** - On 4 July, *Nihon Keizai Shimbun* reported that Japanese firms NKK Corp and Marubeni Corp signed a joint venture agreement with Vietnam's Construction Material Corp to produce zinc-plated steel sheets for housing by the end of this year. The US\$2.86 million project will have the capacity to produce 1500 tons of steel sheet per month.

◆ **Mitsui** - On 4 July, *Nihon Keizai Shimbun* reported that Japanese firms Mitsui Toatsu Chemicals Inc and Mitsui & Co Ltd signed a joint venture agreement to produce polyvinyl chloride (PVC) near HCMC. The other joint venture partners include the Thai Plastic and Chemical Co Ltd, and Vietnam's Fertilizers & Basic Chemicals Corp and the Vietnam Plastic Corp. The US\$60 million venture will have the capacity of 80,000 tons of PVC per year.

### Other Vietnam updates

◆ **The best a tooth can get** - On 6 July, Oral-B Laboratories, a unit of The Gillette Company, announced it has received a joint venture license with Vietnam's Saigon Co-op to manufacture and sell toothbrushes and toothpaste in Vietnam. Oral-B will build a manufacturing plant in Song Be province, and will begin toothbrush production in 1996.

◆ **Canada-Australia mining** - On 6 July, Australia's mineral exploration firm Leader Resources NL announced it has signed a joint venture agreement with Canada's Teck Exploration, Ltd to research and apply for new exploration licenses in Vietnam. Teck is one of the world's largest lead and zinc producers. Leader said the alliance agreement with Teck is primarily targeted at precious metal opportunities, and does not include its Na Tum exploration project, which was signed in November 1993.

◆ **Singapore property venture** - On 24 June, Singapore's Far East Levingston Shipbuilding (FELS) and PetroVietnam announced that they have received a license to build a US\$28.8 million office tower at Vung Tau. FELS, a subsidiary of Keppel Corp, owns a 70% share in the Petro Tower project, with PetroVietnam holding 22% and the Vung Tau Oil Tourist Service Co holding 8%.

◆ **Malaysia duty free** - On 26 June, Malaysia's Sriwani Holding Bhd acquired a five-year lease for two duty-free shops at Tan Son Nhut Airport in HCMC, at a cost of US\$350,000. The seller was Thailand's Charoenmaitree Co Ltd, which operated the shops since 1989. Sriwani also operates duty-free outlets in Darwin, Australia.

◆ **Sweet fund** - On 3 July, the *Vietnam News Agency* reported that the government has approved a 254 billion dong (US\$23 million) fund to upgrade six sugar mills and build five new mills. The investment is part of US\$836.8 million needed to reach targets of 12.7 million tons of sugarcane production and 1.1 to 1.2 million tons of sugar production by the year 2000. Construction on the first of the five new mills began on 1 July in Tuyen Quang province. Vietnam imported 105,000 tons of sugar in 1994, and the government has authorized imports of 140,000 tons this year. Domestic production is estimated at 400,000 to 450,000 tons.

◆ **Chinese sugar plant** - On 24 June, *Lao Dong* reported that a Chinese company, under China's Ministry of Machine-building Industry, has signed a joint venture agreement with Binh Dinh province to build a US\$5.4 million sugar mill. Construction on the plant, which will have a capacity of 1000 tons of sugar per day, is scheduled to begin next week.

### Cambodia updates

◆ **Export stats** - During the first half of 1995, Vietnam exported US\$7.09 million worth of domestically produced goods to 15 countries. Exports in June totalled US\$1.41 million, an increase of US\$86,600 over May. Major importers of Cambodian products include France, Britain, Belgium, Germany, the Netherlands, Switzerland, Austria, Denmark, Norway, and the US.

◆ **Hotel deal** - On 16 June, the Cambodian Tourism Ministry approved a US\$15 million luxury-hotel contract for the renovation of the 100-room Independence Hotel in Sihanoukville. The renovation work will be completed by a joint venture between Malaysia's YTL Corp and Hong Kong's Aman Resorts and General Hotel Corp.

◆ **Port cargo decrease** - On 3 July, Phnom Penh Port Authority Director Mom Sibon told *Reuters News Agency* that during the past eight months, cargo figures at the port have fallen by more than 50%. The Phnom Penh Port handled 30,000 tons of cargo per month in September 1994, but only 10,000 tons per month in June 1995. "After October first last year internal regulations in Vietnam required a transit license and because the shipping agencies faced difficulties to obtain the license they went to Sihanoukville instead," Sibon said, adding that ships have been transiting Vietnam smoothly since diplomatic talks on the issue were held between the two countries.

◆ **Rubber to be privatized** - On 3 July, Agriculture Minister Tao Seng Hour said Cambodia plans to spend US\$2 million to renovate its rubber industry before privatizing it. Rubber output in 1994 was 36,000 tons worth US\$28 million. Cambodia wants to expand the area of rubber estates from 60,000 hectares to 150,000 hectares. The minister was speaking at a ceremony for a framework agreement for Cambodia's rubber industry signed with the French Development Bank.



## VIETNAM

### Archbishop of HCMC dies

On 2 July, Archbishop Paul Nguyen Van Binh, the spiritual leader for half a million Catholics in HCMC, died at age 84. Binh was named Archbishop of Saigon in 1960. In 1977, he stated that he and other Vietnamese bishops had chosen to work within Vietnam's political system. Despite protests by conservative members of the church hierarchy, he told the Vatican in 1977 that new priests in Vietnam must find a way to speak a new language that would be understood by the communist congregations. He also argued that the Christians of Vietnam had to present a "new face, the authentic face of Christ and the church" because of religion's tradition of being "in collusion with imperialism." Although the archbishop's health had been failing for many years, finding a successor is a problem, due to the Vietnam government's insistence on its right to veto all church appointments [see *Digest*, 18 Mar 94]. Vietnam refused the Vatican's initial nomination, Bishop Francis Nguyen Thuan, a nephew of former president of South Vietnam Ngo Dinh Diem. A Vatican envoy with a new candidate failed to reach agreement with Vietnam last April [see *Digest*, 7 Apr]. Hanoi again used its veto power to dismiss a Vatican nominee for apostolic administrator to Binh [see *Digest*, 12 May].

### Interest rate hike

On 7 July, the *Vietnam News* reported that the State Bank has raised the maximum interest rate on US dollar loans from 9.0% to 9.5% per annum to reduce the gap between dong and dollar interest rates. Annual dong interest rates are up to 21%. Bank officials said that in addition to narrowing the gap, the increase will enable commercial banks to increase dollar deposit rates to attract more foreign capital. The State Bank also increased the interest rate paid on institutional checking account demand deposits from 0.1% to 0.5% per month, bring the rate closer to the 0.7% per month paid on individual checking accounts.

### Updates

◆ **US consular progress** - On 19 June, a US consular officer was allowed to meet with Ly Tong, an American citizen of Vietnamese origin who hijacked a Vietnam Airlines jet in September 1992 and dropped anti-government leaflets [see *Digest*, 11 Sep 92]. Tong is serving a 20-year sentence. The Vietnamese government previously denied US consular visits to Tong, saying his crime was too serious. US officials have now visited all 12 US citizens jailed in Vietnam with the exception of a man arrested in December and charged with fraud. Two of the prisoners are women, and all but one are Vietnamese-Americans.

◆ **US agent orange study regress** - A US scientific mission, led by Dr. Christopher Portier of the National Institute for Environmental Health Sciences, paid a 10-day visit to Vietnam in late June to conduct further research into the effects of dioxins contained in the herbicide sprayed during the war. The mission included Dr. Arnold Schecter of the State University of New York Health Science Center, and visited Vietnamese hospitals and other sites, mainly in the south. Upon Schecter's departure from Hanoi on 1 July, Vietnamese customs officials seized hospital records and blood and food specimens, declaring that Vietnamese law barred carrying them out. "If Vietnam wants to help us with

health research, they can't confiscate scientific papers at the airport," Schecter said. Other delegation members departed on 30 June, carrying scientific papers but no specimens, and apparently had no problem with the customs procedures.

◆ **German agreement on illegal immigrants** - On 5 July, Vietnam and Germany initialed an agreement, scheduled to be signed in Bonn later this month, which paves the way for the return of 40,000 Vietnamese illegally living in Germany [see *Digests*, 14 Apr & 23 Feb]. The agreement follows three days of talks in Hanoi between Vietnamese government officials and German State Secretary for the Interior Kurt Schelter. In addition to the repatriation issue, the agreement calls for the promotion of trade and investment, and provides US\$145 million in aid for Vietnam in 1995 and 1996. Under the agreement, 2500 Vietnamese will be repatriated this year, 5000 in 1996, 6000 in 1997, and 6500 in 1998. The time frame for the other 20,000 has not yet been determined.

## CAMBODIA

### Khmer Rouge news

◆ **Treng** - On 4 July, Khmer Rouge guerillas captured the village of Treng, 50 km southwest of Battambang. More than 1000 government troops, backed by helicopter gunships and tanks, launched a counter-attack on 5 July, but were forced to retreat to positions four km away on 6 July. Officials said up to 18 government soldiers were killed, injured, or missing from the attack. On 7 July, the government vowed to retake Treng. "We have sent reinforcements down there this morning," an officer said. "We must take Treng back."

◆ **Poipet** - On 5 July, Thai authorities arrested 165 Cambodian soldiers who fled into Thai territory during a clash with Khmer Rouge guerillas near Poipet. Early reports indicated the Cambodians were trying to cross a wedge of Thai territory that juts into Cambodia to attack a Khmer Rouge base from the rear. A Thai army officer later said the encroachment was unintentional, and that the Cambodians were forced to flee into Thailand. The Cambodians and their weapons were sent by truck back to their bases near Poipet.

◆ **Preah Vihear** - On 3 July, Cambodian officials said Khmer Rouge guerillas conducted raids into Preah Vihear province in northern Cambodia from a base seven km inside Thai territory. "From our investigations, we know that the Khmer Rouge have a major base seven kilometers inside Thai territory at Choum Thai, Nam Om district in Ubon," a Cambodian police official said. On 5 July, Thai Army Commander-in-Chief General Wimol Wongwanich denied allegations that the Thai military was supporting the Khmer Rouge. Wimol said that Cambodian troops recently seized a hill adjacent to the Chong Aanmah border checkpoint, which the Khmer Rouge formerly occupied.

### Coup plotters out early

On 3 July, King Norodom Sihanouk decreed a six-year sentence reduction for the leaders of last year's failed coup attempt. The convicted leaders were Sihanouk's son, Prince Norodom Chakrapong, former secretary of state for the interior Sin Sen, former interior minister Sin Song, and eight accomplices. The only person imprisoned is Sen, serving an 18 year sentence. Song escaped to Thailand, and Chakrapong lives in France.



### WHO cares

◆ **AIDS** - From July through December 1995, the World Health Organization (WHO) will run a campaign designed to combat the spread of the AIDS virus in Cambodia. Prompted by reports that there are between 5000 and 7000 people infected, WHO will provide US\$83,000 for a public campaign and education program.

◆ **Polio** - Over 100 polio immunization experts met on 3 July in Phnom Penh to discuss the 1.7 million children in the country who still need vaccinations. WHO, Japan, the United States, Canada, and Thailand have all pledged financial and technical support for the efforts. In their drive to eradicate polio in the Asia-Pacific region by the end 1995, WHO urged countries in the area to make certain every child is immunized. The incidence of polio has dropped in recent years, from 6000 cases in 1990 to 699 cases in 1994.

### UN officials denied access to refugees

On 30 June, a high-ranking group of UN officials and diplomats were refused access to a group of ethnic Vietnamese stranded in Cambodia. Delegates from the UN High Commissioner for Refugees (UNHCR), the Vietnamese Embassy, the Cambodian Red Cross, the World Food Program, and the UN Center for Human Rights were kept waiting at the Tonle Sap River border to Cambodia for 5 hours as Deputy Police Commissioner Rom Tekkhak Mony deliberated whether to allow a meeting with the Vietnamese refugees. He eventually refused the group's request despite permission from Interior Ministry chief General Lour Ramin, citing the possibility of "shelling from Vietnam." The refugees have been at the border since 1993, when they fled to escape a pre-election wave of violence by the Khmer Rouge.

## US POLICY

### The buck stops here

President Bill Clinton is expected to decide to normalize relations with Vietnam possibly as early as next week. A decision memo recommending normalizing relations is being prepared by the President's national security staff. "We see this [normalization of relations] as the most effective way to meet our priority of getting the fullest possible accounting of those Americans missing from the Vietnam era," said a senior administration official. "Our experience shows that when you cooperate with Vietnam you get more concrete results than if you hold them at arms length."

A recent congressional delegation to Vietnam echoed those sentiments. [see *Digest*, 30 Jun]. "The issue of the MIAs is being fully complied with. That should not be a stumbling block," said Senator Tom Harkin (D-IA), who led the delegation. Senator Frank Lautenberg (D-NJ) who accompanied Harkin said, "I'm satisfied that this country, Vietnam, is moving toward democratization fully. The critical issue is, is it good for America to resume full relations with Vietnam? And I say it is."

President Clinton's senior diplomatic, military, economic and political advisors all support moving forward with Vietnam. If the Clinton decides to normalize relations it would allow an opportunity for Secretary of State Warren Christopher to visit Vietnam during his trip to Asia scheduled for the end of July to attend the ASEAN meeting in Brunei.

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