



Indochina

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Regional Focus - ASEAN - Brunei '95

The Association of Southeast Asian Nations (ASEAN) held a series of meeting during the past week in Bandar Seri Begawan, Brunei, in conjunction with the organization's 28th Annual ASEAN Ministerial Meeting. ASEAN was formed in 1967 with five original members, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Brunei joined ASEAN in 1984, following its independence from Britain, and Vietnam became the organization's seventh member last week [see *Digest*, 28 Jul]. With Vietnam, ASEAN now has a combined population of 420 million people. The ministerial meeting was followed by the second ASEAN Regional Forum (ARF) to discuss security issues, and the post-ministerial meeting.

◆ **28th ASEAN Ministerial Meeting** - The foreign ministers of the seven ASEAN countries met on 29-31 July. The foreign ministers of Burma, Cambodia, and Laos participated in the meeting as holding observer status in ASEAN.

◆ **ASEAN Regional Forum (ARF)** - The second meeting of ARF was held on 1 August. The 19-member meeting included the seven ASEAN states, ASEAN's seven dialogue partners (Australia, Canada, the European Union, Japan, New Zealand, South Korea, and the US) and five other Asian nations (Cambodia, China, Laos, Papua New Guinea, and Russia).

◆ **ASEAN Post-Ministerial Meeting** - The annual Post-Ministerial Meeting was held on 2-3 August, attended by representatives of the 19 nations which participated in ARF.

Discussion highlights

◆ **Expansion** - During the ministerial meeting, the foreign ministers expressed concern that as ASEAN expands and joins forces with other groups, such as the Asia-Pacific Economic Cooperation (APEC) organization, it may lose its cohesion and ability to reach decisions through consensus. Singapore's Foreign Minister Shanmugam Jayakumar said that with ASEAN's expansion, "it will be increasingly difficult to secure agreement on every issue. Therefore, ASEAN should continue to remain flexible and pragmatic." Jayakumar added that, "consensus has never meant unanimity," indicating that individual members may be able to opt out of ASEAN projects or decisions. Expansion should not "reduce ASEAN's cohesiveness or diminish its relevancy and effectiveness," said Malaysia's Foreign Minister Abdullah Ahmad Badawi. "But I feel sad that there are occasions when ASEAN seems to lack resolve to stay united in the face of certain pushes and pulls exerted upon it by the dynamics of international politics and diplomacy," he said. Thailand's Foreign Minister Kasem S. Kasemsri proposed a

regional parliament or council, comprising representatives elected from each member country to discuss political, economic, and social problems, and recommend action where appropriate. "ASEAN's success depends on expanding popular support and participation to involve the widest and broadest range of the public," Kasemsri said. Kasemsri suggested his proposal be discussed at the ASEAN summit meeting in Bangkok in December.

◆ **Free trade** - Two ASEAN members, Brunei and Thailand, advocated accelerating the move toward the ASEAN Free Trade Area (AFTA). AFTA aims to reduce tariffs to between 0% and 5% by the year 2003. "When ASEAN leaders meet in Bangkok in December this year, I hope ASEAN will be able to announce the completion of AFTA by the year 2000," said Sultan Hassanal Bolkhiah of Brunei at the opening of the ministerial meeting. "Deep cuts under AFTA and an accelerated implementation, say by the year 2000, would keep us abreast and in the forefront of global change," said Thai Foreign Minister Kasem Kasemsri. However, some countries may not be ready. Filipino Jose Concepcion, a former trade and industry minister said that if ASEAN brings agricultural barriers down to 3%, "our agricultural sector is dead." Vietnam has already been granted an extension to 2006 to catch up with the rest of the members. The call for acceleration of AFTA was positively welcomed by Southeast Asia's top business leaders, but they warned that member countries must first evaluate the impact of the acceleration. ASEAN's combined population of 420 million would make AFTA larger than the European Union and the North America Free Trade Area (NAFTA).

◆ **US military presence** - Philippine Foreign Minister Domingo Siazon said that a "continued US military presence in the Asia-Pacific region is vital. The United States is part of the Asia-Pacific scenario." While noting that a US military presence in the region is "a part of life," Indonesian Foreign Minister Ali Alatas said, "However, US military presence need not take the form of military bases. We welcome the United States' decision to pull out of the Philippines."

◆ **Asia-Europe summit** - ASEAN proposed a summit meeting between European and Asian leaders to be held in Bangkok in late-February or early-March of 1996. ASEAN intends for ten Asian countries to participate in the summit, including the seven ASEAN members, plus China, Japan, and South Korea. Australia lobbied hard for an invitation to the summit, with support from Japan, but Malaysia vetoed the idea, arguing that if Australia was invited, then other Asia-Pacific powers such as the US would also have to be included.



◆ **Spratly islands** - On 30 July, China said it was willing to solve the ownership dispute over the Spratly Islands in accordance with international law. A foreign ministry spokesman said that "China is ready to work with the countries concerned to resolve appropriately the relevant disputes according to the recognized international law, the contemporary law of the sea including the basic principles and the legal regime defined in the U.N. convention." At the same time China reiterated that its sovereignty over these islands was indisputable and warned "outside countries" to stay out of the issue. At ARF, US Secretary of State Warren Christopher said: "We urge all claimants in the South China Sea to solve their disputes through dialogue and we reiterate our willingness to assist in any way they deem helpful. We welcome China's statement that it will act in accordance with international law in its efforts to resolve the dispute."

◆ **Nuclear testing** - ASEAN foreign ministers condemned nuclear testing in the Asia-Pacific, saying in a 30 July joint communique that they "deplored the resumption or planned resumption of nuclear tests in the Asia-Pacific," and called on all nuclear weapons states to desist from testing nuclear devices. At ARF, ASEAN's call for an immediate halt to nuclear testing was supported by Japan, New Zealand and Australia, but rejected by the EU. Australian Foreign Minister Gareth Evans said that "Australia is profoundly concerned that the actions of China and France will have adverse effects on international nuclear non-proliferation and disarmament efforts," and that such actions would be "seriously out of step with the international community." US President Bill Clinton recently sent a letter to Indonesian President Suharto stating a "willingness" to support Indonesia's initiative of establishing a nuclear-weapons-free zone in Southeast Asia; however, at the ASEAN conference, US Secretary of State Warren Christopher warned that the US has not yet endorsed the proposal. Chinese Foreign Minister Qian Qichen said that China would stop its nuclear weapons testing program if a comprehensive test ban treaty (CTBT) is agreed next year, but that "before then, China does not plan to stop nuclear testing." On 3 August France insisted that Pacific nuclear tests would go ahead because they were essential for the French nuclear deterrent, which was vital to the stability of Europe, and while it was aware of Asian-Pacific concerns about the tests, it would not change its decision.

◆ **Bosnia** - On 29 July, ASEAN called for an end to the arms embargo against Bosnia and the immediate withdrawal of Bosnian Serbs from two UN safe areas. In its statement, ASEAN expressed "profound anguish at the failure and paralysis of the UN mission in the Republic of Bosnia and Herzegovina in responding and addressing the fast-deteriorating situation in that country." The joint communique also said: "The foreign ministers accept the right of the Republic of Bosnia-Herzegovina to self defense. They therefore support the lifting of the arms embargo imposed on Bosnia-Herzegovina." Three ASEAN states, Brunei, Indonesia and Malaysia, are predominantly Muslim.

◆ **Burma** - Several ASEAN members said that the release of Burmese democracy leader Aung San Suu Kyi was a vindication of ASEAN's policy not to isolate Burma. Japan also agreed that a non-isolation policy, and hinted that Japan may resume financial aid to Burma. "Myanmar [Burma] released Aung San Suu Kyi on its initiative. We don't believe the release of Aung San Suu Kyi was brought about by isolation of Myanmar from the international community,"

Japanese Foreign Minister Yohei Kono said. Japan and Australia both urged Burma to improve human rights and proceed towards democracy. However, Suu Kyi was critical of ASEAN's stance. On 31 July, Bangkok's *The Nation* quoted Suu Kyi: "I do notice that while promoting the policy of constructive engagement some ASEAN nations are careful to say that they do not interfere in the internal affairs of another country. The question is for whom has it been constructive? Was it constructive for the force of democracy? Was it constructive for the Burmese people in general? Was it constructive for a limited business community or was it constructive for the SLORC?"

◆ **Boat people** - In a 30 July joint communique, the ASEAN ministers expressed concern over developments affecting the successful repatriation of all Vietnamese boat people by the end of this year, and urged all resettlement countries to weigh carefully the implications of adopting laws that could generate false hopes of resettlement. Noting that some 70,000 boat people had been successfully resettled under the CPA, Indonesian Foreign Minister Ali Alatas said, "we are therefore dismayed to learn that a debate is now taking place in the US Congress which could lead to action that would hamper the overall implementation of the 1989 CPA, particularly the orderly repatriation process."

Other region updates

◆ **Mekong meeting** - On 2-3 August, the Mekong River Commission (MRC) held its first formal council meeting in Phnom Penh, attended by Cambodia, Laos, Thailand, and Vietnam. The council appointed Japanese agricultural expert Yasunobu Matoba as chief executive for the MRC, chosen from 400 applicants for the position. The council also adopted the rules of procedure, endorsed a report made at an informal council meeting in Chiang Rai, Thailand, last April [see *Digest*, 7 Apr], and invited Burma and China to join the MRC as full members.

◆ **ASEAN ag meeting** - On 3 August, a Philippine official said that ASEAN agricultural ministers will meet in Singapore on 21-23 August to discuss the inclusion of unprocessed agricultural products in the ASEAN Free Trade Area (AFTA). ASEAN is planning to implement AFTA by the year 2003. The official said several countries are reluctant to include agricultural products in the AFTA scheme.

◆ **Language training** - On 2 August, Canada and Singapore announced that they will start a joint English-language training project for Cambodia, Laos, and Vietnam. The project will train 255 officials involved in ASEAN meetings, 100 Vietnamese, 85 Cambodians, and 70 Laotians. Fifteen courses will be conducted in Singapore over three years.

TRADE/INVESTMENT

Vietnam updates

◆ **Coffee exports** - The International Coffee Organization said Vietnam exported 2.5 million 60-kg bags of coffee in the 1994/95 (June/May) period. Its output for the 1995/96 crop is forecast at 3.0 million bags (180,000 tons). Exports in the first half of 1995 increased 25.4% to 115,000 tons, or 1.91 million bags. Japan imported 8406 tons in the first half of 1995, up from 4635 tons during the same period in 1994.



◆ **US agriculture exports** - According to the Foreign Agricultural Service of the US Department of Agriculture, direct US horticultural exports to Vietnam reached US\$4.4 million in the first eight months of fiscal year 1995. Apples and grapes were the leading agricultural exports.

◆ **Russian-Vietnam banking JV** - On 3 August, Russia's *Interfax* news agency reported that two of Russia's largest banks, Imperial and National Credit, are planning to form a banking joint venture with Vietnam's Bank of Foreign Trade (Vietcombank) and the Russian oil company Zarubezhneft. The venture will handle accounts for Russian-Vietnamese joint ventures such as Zarubezhneft's Vietsopetro. Vietcombank will hold a 50% share of the venture, while the Russian banks will each hold 20% and Zarubezhneft 10%.

◆ **Japanese cement project** - On 3 August, *Vietnam News Agency* reported that Japan's Mitsubishi and Nihon groups have signed a US\$347 million cement joint venture with the Vietnam National Cement Corp [see *Digest*, 20 Jan]. The mill will be built at Nghi Son, 200 km south of Hanoi, and will have an annual production capacity of 2.2 million tons.

◆ **Malaysian EPZ** - On 31 July, Malaysia's Renong Corp announced that it received a license to establish a \$300 million export processing zone in a joint venture with the Hanoi Industrial Building Co [see *Digest*, 20 May 94]. The license has 50 years in duration. The zone will be built south of Noi Bai Airport, and is expected to provide 20,000 jobs.

◆ **US computers** - On 28 July, Compaq Computer Corp signed on its eighth distributor for its products, the Corporation for Financing and Promoting Technology. Compaq estimates that it sold about 60,000 personal computers in Vietnam, 40,000 in 1994, and said that while the market is small, it is "growing exponentially."

◆ **More beer** - On 30 July, HCMC newspapers reported that Vietnam Breweries Co Ltd, a joint venture between Holland's Heineken and HCMC's Service of Commerce, was increasing its investment capital from US\$55 million to US\$83 million to expand production. The brewery plans to raise annual production to 70 million liters by September to meet growing demand. The brewery opened in 1993 with an initial capacity of 25 million liters per year.

CAMBODIA

Christopher visits

US Secretary of State Warren Christopher visited Phnom Penh on 4 August, the first visit by a US secretary of state since John Foster Dulles in 1955. Christopher met with King Norodom Sihanouk, First Prime Minister Ranariddh, Second Prime Minister Hun Sen, and held talks with Foreign Minister Ung Huot. Christopher visited the genocide museum at Tuol Sleng, where the Khmer Rouge tortured and killed more than 20,000 Cambodians during the years 1975-1978. Christopher also visited the Cambodian Mine Action Center, where he was briefed on efforts to rid Cambodia of an estimated 10 million mines. "I thought I would come here because Cambodia's experience with mines is really a lesson to the world, a lesson that these hidden killers are a terrible scourge that have to be done away with in some way," Christopher said.

During the meeting with Ung Huot, Christopher announced that the US would provide Cambodia with a US\$12.02 million aid package for family health, primary education, technical support, and democratic programs. The US will also provide US\$5.4 million worth of rice from US surplus agricultural stocks to alleviate rice shortages caused by flood and drought damage. The two countries also signed an agreement making investment guarantees through the Overseas Private Investment Corp (OPIC) available to US investors in Cambodia.

Prior to his arrival, on 3 August First Prime Minister Ranariddh said, "Mr. Christopher coming to Cambodia shows that the United States has no problems with Cambodia's record on human rights and democracy and that they support the government." However, US Embassy spokesman Frank Huffman warned that the visit is not a stamp of approval of the government. "The relations between our two countries are good now, but this visit is about supporting freedom, democracy and human rights and not about supporting abuse of them," Huffman said.

Updates

◆ **Smuggler fined** - On 2 August, Finance Minister Keat Chhon said that Cambodia has fined Cambodian firm Kim Hap Import Export Co US\$2.4 million for trying to smuggle cargo into Cambodia. The cargo included 35 motor vehicles, spare parts, 6000 boxes of cigarettes, and beer. A joint anti-smuggling task force confiscated the ship and its contents on 30 January. The 10-member crew of the ship, including five Indonesians, three Burmese, one Thai, and one Malaysia, are being held in Sihanoukville.

◆ **Vietnamese families released** - On 1 August, a spokesman for the UN High Commissioner for Refugees (UNHCR) said that Cambodia will free 13 ethnic Vietnamese families from detention at the Chrey Thom river border and allow them to join their fishing community on the Tonle Sap river. Currently, there are 2000 ethnic Vietnamese who fled bloody purges instituted by the Khmer Rouge in 1993, and are stranded at the border. "The government, as far as I know, intends to carrying out interviews with the remaining Vietnamese families," the UNHCR spokesman said, describing the release as "very positive."

◆ **Vietnam vessels seized** - On 20 July, Cambodian navy warships captured two Vietnamese fishing boats which had been fishing in waters off Sihanoukville. A third Vietnamese vessel equipped with machine guns and other weapons was damaged during a heavy firefight. One Cambodian seaman was killed and two others were wounded during the fighting, according to Khing Saveun, deputy commander of the Royal Cambodian Navy.

◆ **Killing field found** - On 31 July, the *Cambodia Daily* reported that a Yale University team found a "killing field" with the remains of more than 2000 people believed to have been killed by the Khmer Rouge in 1970s at a former teacher's college, 15 miles southeast of Phnom Penh. The Yale University team is sponsored by the US State Department to collect the evidence of Khmer Rouge atrocities.

**VIETNAM****Do Muoi visits Australia, New Zealand**

Communist Party Secretary-General Do Muoi traveled to Australia and New Zealand on 29 July to 4 August. In Australia on 31 July, the two countries signed several agreements, including an agreement to expand air service to three flights a week, economic cooperation, and the joint construction of a major bridge across the Mekong River. Australian Prime Minister Paul Keating welcomed the normalization of US-Vietnam relations, and said that Vietnam was, in due course, a "natural" member of the Asia Pacific Economic Cooperation (APEC) group. "Australia wants more than a relationship with Vietnam: we want a partnership," Keating said.

Updates

◆ **Taiwan trade pacts** - On 27 July, during the visit of Taiwanese economic affairs minister, Chiang Pin-kung [see *Digest*, 28 Jul], the two countries agreed to grant each other preferential (most favored nation) trade status. Taiwan agreed to recruit 2000 Vietnamese workers in 1995, and to help Vietnam improve its postal and telecommunication facilities.

◆ **Stock exchange** - On 2 August, British Ambassador Peter Williams announced that Britain will grant Vietnam US\$1.5 million in aid for the establishment of a stock exchange, mainly for training staff and organizing the exchange. Delays in establishing Vietnam's first stock exchange have

been caused by inflation and a legal system that has not fully embraced international practices.

◆ **Lending rate raised** - On 1 August, the State Bank raised the maximum lending rate on US dollar loans from 9.0% to 9.5%. The increase is intended to reduce the gap between lending rates on Vietnamese *dong* and the US dollar, and to strengthen the role of the Vietnamese currency.

◆ **Tax dodgers** - On 2 August, the *Vietnam News* reported that Vietnam is accusing 14 foreign advertising companies of dodging tax payments by illegally using Vietnamese firms and representative offices as fronts to conduct their business. The report said the companies have earned millions of dollars from advertising throughout the country without paying taxes. Under Vietnamese law, representative offices are only allowed to do research and market studies, and cannot conduct actual business. Authorities have recently questioned several foreign businesses over issues relating to license restrictions and payments of tax. According to the General Department of Tax, revenues from taxes have increased by 42.5% during the first half of the year, but represents only 39.3% of the 1995 target.

◆ **Smugglers arrested** - On 29 July, officials said that 3700 people were arrested for smuggling in the first half of 1995, and that customs officials confiscated goods worth US\$7.3 million. Most of the smuggled goods entering Vietnam come across the border from China and through sea routes. An increasing amount of goods have been seized from travelers arriving through Vietnam's two international airports in Hanoi and HCMC. Customs officers at the two airports seized 4326 illegal tapes and discs, 1800 offensive publications, and nearly US\$2 million in undeclared cash.

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