



# Indochina

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## Digest

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### TRADE/INVESTMENT

#### Vietnam investment & trade

◆ **Foreign investment stats** - On 11 September, the State Committee for Cooperation and Investment (SCCI) reported that approved foreign investment projects reached US\$16 billion in August, almost doubling the US\$9 billion approved at the same time last year. Investments were led by Taiwan and Hong Kong. The US ranked eighth with investment projects worth US\$555 million. On 10 September, the *Vietnam News Agency* reported that licences have been revoked on 200 projects since 1988, representing US\$949 million in investment and 15% of the total number of licences awarded. The average size of foreign investment projects has increased from US\$3.5 million in 1988 to US\$11.7 million. Joint ventures with state firms comprise 98% of the total, and 2% with the budding private sector.

◆ **Trade deficit narrows** - On 13 September, the General Statistics Office reported that Vietnam's trade deficit decreased to US\$40.7 million in August from US\$184.7 million in July. Vietnam exported US\$350 million worth of goods in August, a 31.6% increase over August 1994. Imports totaled US\$390.7 million, a 28.6% increase over last year, but lower than the US\$548 million imported in July. During the first eight months of 1995, exports totaled US\$3.08 billion and imports totaled US\$3.64 billion, for a cumulative trade deficit of US\$554 million.

#### Vietnam telecommunications updates

◆ **Mitsui/Hughes satellite** - On 14 September, Japanese trading firm Mitsui & Co Ltd announced that it jointly won a \$2 million order with Hughes Network System, a unit of General Motors Corp, to build facilities for a satellite-linked telephone and data communications system in Vietnam [see *Digest*, 18 Aug]. Mitsui will supply Hughes-made control equipment and terminal facilities for the system.

◆ **Extreme joint venture** - On 13 September, California-based Extreme Technologies Inc said Vietnam has approved a joint venture license between its 40%-owned Telecommunications American and Saigon PTS Corp to develop and manage a cellular telephone system in Vietnam.

#### Other Vietnam updates

◆ **TV movie deal** - On 13 September, News Corp Ltd entered an agreement for its Twentieth Century Fox Film division to provide programming to Vietnam Television (VTV). The 26-week agreement, negotiated by News Corp's Australian unit, News Ltd, will provide for the "Fox Film of the Week" to be broadcast in Hanoi, HCMC, Hue, Haiphong, Danang, and Can Tho.

◆ **Carrier** - On 14 September, Carrier, a unit of United Technologies Corp, signed a US\$10 million joint venture contract with Vietnam's Ree Refrigeration Corp to make and distribute air conditioners in Vietnam. The venture, Carrier Vietnam Air Conditioning Co, will begin production in 1996 at a factory near Tan San Nhut airport in HCMC. Turnover is expected to reach US\$150 million to US\$200 million by the year 2000. Ree, formerly state-owned, was privatized in 1993 and is now owned by its management and workers.

◆ **Mobil buys more crude** - A Hanoi newspaper reported that Mobil Sales and Supply, a unit of Mobil Corp, has signed a one-year term contract to purchase a cargo of *Bach Ho* (White Tiger) crude oil every quarter. According to *Reuters News Agency*, traders said Mobil would be the first US oil firm to sign a term deal with Vietnam, which could be for 5,000 barrels per day. Mobil purchased Vietnamese crude in August, and June of last year [see *Digest*, 25 Aug].

◆ **Hong Kong bank** - On 11 September, the Hong Kong and Shanghai Banking Corp Ltd (HSBC) formally opened its branch office in HCMC. HSBC will initially offer import and export finance services, but anticipates expansion to medium and long-term loans to Vietnamese businesses in the future.

◆ **Honda plant planned** - On 6 September, Honda Motor Co Ltd announced that it has signed an agreement with Vietnam Engine and Agricultural Machinery Corp (VEAM) to establish a joint venture to produce and sell motorcycles. If approved by the Vietnamese government, the venture will build a US\$100 million plant near Hanoi by the end of 1997, with an initial production target of 200,000 motorcycles per year, increasing to 450,000 by 2005, and employing 2000 people. Honda will own 70% of the venture, VEAM 30%.

◆ **Korean Steel** - On 15 September, a spokesman from South Korea's Pohang Iron and Steel Co (POSCO) announced its joint venture with Vietnamese Steel Corp and two other South Korean firms has begun production at its plant in Hai Phong [see *Digest*, 29 Oct 93]. VSC-POSCO Steel Corporation has a production capacity of 200,000 tons of steel per year. POSCO and its affiliate Postrade Co own 40% of the venture, with VSC and Haiphong city holding 50%. Daewoo Corp holds the remaining 10%.

◆ **More Korean TVs** - On 6 September, South Korea's Orion Electric Co announced that its joint venture with Hanoi Electric Corp is planning to build a second color picture tube (CPT) plant at a cost of US\$120 million, a US\$8 million electron gun factory, and a parts factory in Vietnam. Orion's existing CPT plant, at the Saidong Industrial Complex, began production in June, with an annual capacity of one million CPTs and 600,000 monochrome picture tubes. Orion is a unit of the Daewoo Group.

**VIETNAM****Dubious business practices**

◆ **Cement scandal** - On 14 September, the *Vietnam News* reported that an investigation by the General Inspectorate into the cement pricing scandal last April placed most of the blame on the general director of the Vietnam Cement Corp (VCC). The VCC official failed to regulate supplies in late April and early May, unaware of kickbacks being paid to middlemen to hoard cement. The investigation, ordered by the Prime Minister, also found Minister of Construction Ngo Xuan Loc, Minister of Trade Le van Triet, and a Pricing Commission official were partially responsible. The investigation found no evidence of criminal activity.

◆ **Cowboy investors** - On 14 September, the *Vietnam News* reported on the State Bank's investigations to eliminate "cowboys in the Vietnamese financing arena," identifying 12 financial companies of "dubious capability." The paper listed nine of the companies, including six from the US, one from Italy, one from Lichtenstein, one from Italy, and one from New Zealand. The firms allegedly failed to honor financial commitments, mostly through offers of long-term loans. The credit and background inquiries were conducted by Dun & Bradstreet, in conjunction with several foreign banks with branches or representative offices in Vietnam.

**McNamara coming to Vietnam**

Former US Secretary of Defense Robert McNamara, whose book *In Retrospect: The Tragedy and Lessons of Vietnam* was recently published, will accompany a delegation of US scholars invited by the Institute of International Relations (IIR) to Vietnam later this year. The delegation is being organized by the New York-based Council on Foreign Relations. "The focus will be on historical aspects of the war and the period will be the 1960s and the opportunities both sides missed," said IIR assistant director general Bui Thanh Son. "That is what they have proposed, but our perspective is that only the US missed opportunities."

**CAMBODIA****Return of Rainsy**

On 14 September, former finance minister and ousted member of the National Assembly Sam Rainsy returned to Cambodia after six weeks abroad, visiting several countries, including France, Canada, and the US. Rainsy said he would wait a few months before starting his own party, hoping to gain additional support from disenfranchised members of FUNCINPEC and Buddhist Liberal Democratic Party (BLCP). Both parties are scheduled to have congresses in the next few months. "I have to wait for those two events. Then we will see things clearer," Rainsy said. Rainsy is planning a ten-day visit to Australia to meet with opposition leaders and Foreign Minister Gareth Evans. When he returns, Rainsy plans to press for a judgment against the National Assembly over his expulsion.

◆ **Japanese iron** - On 11 September, Japan's Yahagi Iron Co Ltd announced that it will begin work on an iron casting joint venture in December. The new venture, Vina Japan Engineering Ltd, will be based in Haiphong, and will supply car makers and others operating in Vietnam. Yahagi has a 55% share in the venture, with two other Japanese firms and two Vietnamese firms. The venture is capitalized at US\$2.35 million, with the plan to invest a total of US\$7 million.

◆ **Cashew exports** - During the first six months of 1995, exports of cashew nuts increased 120% to 50,000 tons. Vietnam expects to export another 60,000 tons in the second half of this year. Vietnam is the third largest exporter of cashew nuts, after Brazil and India.

**Lao aviation updates**

◆ **Singapore airlink** - On 7 September, SilkAir Pte Ltd, a division of Singapore Airlines Ltd, announced that it would begin twice-weekly service between Singapore and Vientiane on 3 November. SilkAir will use its Fokker 70 aircraft on the Tuesday and Friday flights. SilkAir also announced it will increase its service to Phnom Penh and Rangoon to daily flights beginning 29 October.

◆ **Burma airlink discussed** - On 12 September, a Lao delegation led by Deputy Director of Civil Aviation Bounkong Noufongsamouth arrived in Rangoon to discuss the establishment of air services between Laos and Burma. The two countries agreed to begin air services in November.

◆ **Airport upgrade** - On 8 September, the *Bangkok Post* reported that the Thai Foreign Ministry is requesting Thai cabinet approval for an additional US\$8 million to upgrade Luang Prabang airport in Laos. The Thai government already pledged US\$2 million for the airport in a bid to increase tourism. The Thai Foreign Ministry is following upon a request by the Lao ambassador to Thailand.

**Cambodia waterway updates**

◆ **Phnom Penh exports increase** - According to official port statistics, 43,759 tons of dry cargo, mainly rubber and logs, were exported from Phnom Penh in the first eight months of 1995, almost double the 29,329 tons exported over the same period last year. Imports fell from 122,087 tons in that period to 50,948 tons. According to deputy director for the Phnom Penh Port Authority, Miech Yan, the decrease has been attributed to last year's dispute with Vietnam over water and navigation rights on the Mekong River.

◆ **Port improvements** - On 15 September, First Prime Minister Prince Norodom Ranariddh presided over a ceremony to launch the renovation of three ferry crossings along the Mekong River at Neak Luong, Kompong Cham, and Prek Kdam. The crossings are part of a US\$18.6 million renovation project backed by three Danish companies, which will take three years to complete. The project will stimulate commercial ties with Vietnam across the Mekong River to the west, and open Cambodia's isolated northeast to greater economic activity. The Danish firm Portconsult won the contract to supervise Cambodia's KC Gecin Enterprises in the rehabilitation of slipways, ramps and workshops. Contracts for construction of two new vehicle and cargo ferries and repairs to three existing ships were won by Ole Steen Knudsen A/S and Karstensens Shipyard.

**Labor law considered**

On 5 September, Minister of Trade Cham Prasidh said that the draft of Cambodia's labor law is now before the Council of Ministers. Prasidh said he hopes the law will go before the parliament and be passed by the end of the year. Prasidh said he was confident the new law will enable Cambodia to receive preferential US trade privileges under the Generalized System of Preferences (GSP). Under US law, GSP requires recipient countries to allow greater workers' rights, bans the use of forced labor, and sets a minimum age for employment. A recent report by the US labor organization, the AFL-CIO, states that Cambodia's current labor law fails to protect workers' freedom of association and the right to organize and bargain collectively. "With this [new] labor law, we can start lobbying for GSP in the US," Prasidh said. Cambodia is expected to be granted with MFN status from the US in the near future, which is an additional requirement for GSP privileges.

**IFI updates**

◆ **IMF** - On 15 September, the International Monetary Fund (IMF) approved US\$40 million for Cambodia, the second tranche of a US\$130 million loan under the IMF's Enhanced Structural Adjustment Facility. The first annual tranche of US\$40 million was approved in May, 1994, with the goal of securing real economic growth of 7% to 8% per year, raising the level of foreign reserves, and increasing domestic and foreign investment. An IMF official said that Cambodia has "put together a program of macro-economic policies for 1995/96" which the IMF considers appropriate to support.

◆ **ADB** - On 10 September, nine Asian Development Bank (ADB) directors arrived in Phnom Penh for a week of ministerial level talks aimed at addressing future development aid to Cambodia. The delegation, led by ADB Senior Executive Director Kyung Woo Kim, is the first of its kind to visit Cambodia. The ADB directors met with ministers of public works and transport, finance, rehabilitation and planning, as well as Co-Prime Ministers Prince Norodom Ranariddh and Hun Sen. ADB Executive Director Peter McCawley stressed irrigation, education, human resources and rural development as areas of particular concern. The ADB has recently given Cambodia two loans totaling US\$95.9 million for rehabilitating the transport, agriculture, power and education sectors. Two additional loans, totaling US\$45 million for basic skills and rural infrastructure improvement, are expected to be signed in November.

**Other updates**

◆ **AIDS** - On 13 September, the World Health Organization (WHO) released figures showing that the estimated number of HIV infections has increased from 5000 to 6000 in 1994 to 30,000 in 1995. "What we are seeing with the statistics in Cambodia now is worse than in any other country in the region," a WHO official said. WHO said that between January and August, 4% of the blood donors tested nationwide were HIV positive, with the figure reaching 6% in Phnom Penh for the same period. In Phnom Penh, 8.7% of donors were HIV positive during August alone; 4.3% tested positive in all of 1994, and only 0.08% in 1991, when screening was started.

◆ **Sihanouk to China for eye treatment** - On 10 September, King Norodom Sihanouk announced that he will undergo an operation in Beijing to improve his eyesight. Scheduled to leave Phnom Penh on 16 September, the King said he will not be gone long, "about 10 days in hospital and then another 10 days in my Beijing palace." Sihanouk also said that his cancer was no longer a problem, adding, "Chinese doctors have been treating me for many years and were able to cure my cancer, so they should be able to treat my eyes."

◆ **Newspaper bombed** - The 8 September edition of *Damneung Pel Prek* (Morning News), a newspaper critical of government corruption, was not printed following a grenade attack on the office of publisher-editor, Ngoun Noun. Ngoun Noun was jailed twice in 1994 for writing and publishing articles critical of government officials. He is quoted as being "not against the government, but against corruption and unscrupulous business people." Noun said that the articles in this edition of *Damneung Pel Prek* "were stronger than the grenade explosions." The paper, published three times a week, has a circulation of between 6000 and 7000. Noun did not say whether publication would resume next week.

◆ **Education budget** - On 12 September, Education Minister Toh Lah said that Cambodia will double its spending on education over the next five years. Spending on education, currently 8% of the national budget, will raise to 15% by the year 2000, Toh Lah said. The government is also planning to increase the number of years of basic education from between 9-11 years to 12 years by the start of the 1996/97 school year, and to hire 1932 new teachers to join the 58,219 already employed. Cambodia has 1.646 million primary school students, 270,000 secondary school students, and eight institutes of higher education with 11,476 students.

**LAOS****Thai tariff reduction requested**

On 14 September, Chairman of the Lao National Trade and Industry Council Sisuk Sisombat said that Thailand's 20% tariffs on 16 agriculture products, including soybeans, jute, and processed wood, is too high and should be reduced to 0.55%. Sisombat is part of a ten-member trade delegation visiting Bangkok. Thailand reduced the tariffs on these products last year, but Laos would like the rates reduced further. Sisombat said he believes Thailand is reluctant because one of the items is coffee, which is a sensitive commodity for Thailand. The delegation also discussed the price Laos charges Thailand for electricity, which Thailand would like to be reduced.

**REGION****ASEAN updates**

◆ **Banking association admits Vietnam** - On 11 September, the ASEAN Banking Council in Singapore announced that Vietnam has been admitted as a member. The Banking Council was formed in 1976 to promote the economic growth of ASEAN through collaboration among its member banks. Vietnam became eligible for the council after being admitted as a member of ASEAN in July.



◆ **Trade ministers meet** - On 9-10 September, the trade and economic ministers of the seven ASEAN countries met in Brunei. The ministers agreed to expand the scope of the ASEAN Free Trade Area (AFTA) and pledged to give AFTA members concessions in the services sector that are more favorable than concessions in the World Trade Organization (WTO) agreement. The ministers vowed to accelerate the start of AFTA, and discussed potential links with the neighboring free trade area made up of Australia and New Zealand. The group pledged to back Vietnam's entry into the WTO and the Asia-Pacific Economic Cooperation (APEC).

### Tiger poaching

On 13 September, Elizabeth Kemf of the Worldwide Fund for Nature (WWF) told a press conference in London that the tigers of Indochina are being poached at the rate of one a week. "Nearly 10% of Indochina's tigers disappear annually," Kemf said. "At this rate they could be gone in less than a decade. These countries have been racked by warfare. The tigers of Indochina are as forgotten as the people themselves." The number of tigers in Cambodia, Laos, and Vietnam may now be no higher than 500 or 600, with an additional 500 to 1000 in Thailand, Burma, and the Malaysian peninsula.

## REFUGEES

### Weapons found in Hong Kong

On 13 September, Hong Kong's Correctional Services Department and police conducted a three-hour search of the High Island Detention Center, and seized more than 800 weapons. Weapons confiscated included razor blades,

catapults, daggers, and sharpened iron rods. Police also seized 188 pieces of electrical wire, 108 sharpened wooden rods, 407 sharpened bamboo sticks, 28 pairs of scissors, 37 homemade table knives, 13 sheet metal shields, 16 gas masks, two pairs of pliers, and a screwdriver. The search followed an escape earlier in the day by two Vietnamese men from the Whitehead Detention Center.

## FYI

### US economic normalization conference

The US-Vietnam Forum, the educational affiliate of the US-Vietnam Trade Council, will hold its fall conference on "Economic Normalization - Next Steps in US-Vietnam Relations" on 5 October at the Willard Inter-Continental Hotel in Washington, DC. Minister of Foreign Affairs Nguyen Manh Cam will lead the Vietnamese delegation, which will include officials from the trade and finance ministries. The conference will also include US government officials and US corporate leaders. For information, contact the US-Vietnam Forum at: 202-547-3800; or fax: 202-547-4784.

### Regional economic conference

Infocus Ltd is sponsoring a three-day conference, "The Greater Mekong Sub-Regional Growth Summit," on 22-24 October at the Royal Orchid Sheraton Hotel in Bangkok, Thailand. The conference will include government officials from Burma, Cambodia, Laos, Thailand, Vietnam, and China's Yunnan province, and will feature companies that already have a strategy for investing in the Greater Mekong Sub-Region. For more information, contact Infocus in Hong Kong at tel: (852) 2851 0902; or fax: (852) 2581-8065.

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