



# Indochina Digest

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## TRADE/INVESTMENT

### Business Fellowship Program

On 24 September, 47 Vietnamese fellows representing various geographical regions, economic sectors and governmental agencies arrived in the US to begin an eight-week Business Fellowship Program. The program, funded by the US Information Agency (USIA) [see *Digest*, 12 May], will provide the fellows with a six-week internship with an American company, with one-week orientation and evaluation programs at the beginning and end of their training in Washington, DC. Vietnam Veterans of America Foundation is the sponsor for half of the Business Fellows, and is providing 24 leaders from Vietnam's business sector with an opportunity to learn about American business and management practices. Following the eight weeks in the US, the fellows will return to their companies and apply the practical experience gained to make their firms more competitive. The US-Vietnam Forum brought 23 fellows representing various governmental organizations to participate. The program is likely to be expanded in 1996.

### Oil co. woes

◆ **Kuwait deal delayed** - The national oil trading company Petrolimex has postponed purchases of oil products from the Kuwait Petroleum Corp (KPC) until the first quarter of 1996. The two companies originally planned to start delivery in October, but failed to finalize the agreement before mid-September. Petrolimex intends to buy gas oil (diesel) and jet fuel from KPC under a one-year term contract, at a rate of 56,000-60,000 tons of gas oil and 10,000 tons of jet fuel every 45 days. Negotiations will continue in mid-October. The two sides plan to finalize the agreement by mid-November.

◆ **Total problems** - On 22 September, Deputy Prime Minister Tran Duc Luong told reporters during a Europe-East Asia forum in Singapore that France's Total SA withdrew from a refinery project in Vietnam because of its own problems. "What made Total withdraw their participation in the refinery project is because of their own difficulties and not because of Vietnam's difficulties." Total said it withdrew from the project because the Dung Quat location was uneconomical [see *Digest*, 8 Sep].

◆ **Union Texas caps well** - On 22 September, Union Texas Asia Corp, a subsidiary of Houston-based Union Texas Petroleum Holdings, Inc, announced that it has plugged and abandoned a well in the Con Son Basin off of Vietnam. The well was the first of a two-well exploration program for 1995 which began on 12 July. Although gas was discovered while drilling, no flow tests were conducted due to poor reservoir quality. The well was located at block 04.2, which Union Texas shares with LASMO Plc and CIECO Con Son, Inc.

◆ **BHP big bear problems** - On 22 September, Australia's Broken Hill Pty Ltd (BHP) announced that it recorded flat first-quarter profits, with net profits in the three months to 31 August totaling US\$279 million—little changed from US\$280 million in 1994. BHP blamed this performance on disappointing results from its petroleum division, citing, among other problems, a loss from the *Dai Hung* (Big Bear) oil and gas project off Vietnam. On 26 September, BHP said it was discussing the future of the *Dai Hung* field with PetroVietnam, and that while it was not quitting the field at this time, it would have to make a "hard decision" by April. Robert Mollah, BHP general manager for Vietnam Business Development, said that BHP's "best estimation of commercial reserves suggest these are very much lower than originally forecast [and] that the commercial exploitation of the field under the present terms and conditions is not possible." Mollah later added, "The *Dai Hung* field isn't the bonanza everyone thought it would be. We're getting down to a negative cash flow. This can't go on." Production has fallen to 15,000 barrels per day, compared to 25,000 to 30,000 bpd when the project came onstream last October.

### Vietnam updates

◆ **Coke license approved** - On 29 September, the Coca-Cola Co announced that Vietnam has approved the license for its Coca-Cola Indochina Pte Ltd unit to establish a US\$48.8 million joint venture in HCMC with the Chuong Duong Beverage Co [see *Digest*, 28 Jul]. Coca-Cola products were produced under a contract with the Chuong Duong bottling plant. Coca-Cola will have equity participation under the new arrangement. The venture will more than quadruple the production capacity of Coca-Cola products in southern Vietnam to 136 million liters.

◆ **Japanese loan** - On 26 September, the Export-Import Bank of Japan announced that it will lend 11.8 billion yen (US\$118 million) to Vietnam to develop a state-owned cement plant. The loan is being assisted by Japan's Sanwa Bank Ltd and several other commercial banks.

◆ **Taiwanese chemicals** - On 25 September, the Taipei-based Chinese Petroleum Corp (CPC) signed a letter of intent with the Ministry of Heavy Industry to conduct a feasibility study into the joint production and sale of petrochemicals. CPC will conduct market studies on polypropylene, polystyrene and methanol. Vietnam chose its state-run Ferchemco to conduct the study.

◆ **Planes purchased** - On 27 September, Dutch aircraft manufacturer Fokker announced that Vietnam has ordered two Fokker 70 aircraft. The aircraft is a two-engined jet which seats 80 passengers and is used on short and medium haul flights. Fokker is to deliver the planes in the second quarter of 1996.



◆ **Jute imports** - On 26 September, the *Vietnam News* reported that Vietnam plans to import 5000 tons of jute, to be used to make bags for exporting rice and other agricultural products. This will be Vietnam's first overseas purchase of jute, as major jute factories in the south ran out of raw materials.

◆ **Sugar caned** - On 25 September the Ministry of Trade announced that due to a surplus, sugar imports to Vietnam will be restricted from October until March of 1996. Vietnam has imported 160,000 tons of sugar so far in 1995, surpassing the sugar import quota for 1995 of 140,000 tons. Vietnam is expected to produce 320,000 tons of sugar in the upcoming harvest season, up from 300,000 tons last season.

## Cambodia updates

◆ **Satellite city** - On 22 September, the *Business Times* of Singapore announced that Malaysia's Sungei Way Holdings has been awarded a US\$500 million contract to build a 400-hectare satellite city near Phnom Penh. The city will include residential, shopping, office, and industrial areas.

◆ **Thai gas station** - On 28 September, the Petroleum Authority of Thailand (PTT) opened a service station in Phnom Penh, the first to distribute PTT oil products in Cambodia. The new service station is part of PTT's plan to expand overseas, and is the first to carry PTT's logo outside of Thailand. PTT plans to invest 6 billion *baht* (US\$240 million) in oil and gas marketing businesses in South Asia and Southeast Asia over the next five years.

## VIETNAM

### ILO report: All not well with reforms

A recently released report by the UN International Labor Organization (ILO) identified two major areas where economic reforms in Vietnam have not yet produced positive results. The report said Vietnam's labor force situation has been adversely affected by the reforms, with 1.5 million workers laid off from jobs in the state sector and unemployment levels much higher than the two million unemployed workers in 1992. In order to improve the labor force situation, the report stresses the need for a labor-intensive growth process, intensive skills training and the development of small enterprises.

The report also identified the growing inequalities in many rural areas in Vietnam, with food production either stagnant or declining in most areas of the countryside. The real wage of civil servants and state firm employees decreased by over 60 percent from 1985 to 1991. The report also said the implementation of "user fees" for many essential services and the removal of social safety nets such as health, educational and food subsidies has hit the Vietnamese people hard. The ILO has called for a policy of labor intensive growth, especially in rural areas, including intensive public works programs for the rural non-farming population, the promotion of industrialization, and the redirection of investment to agriculture to boost productivity and reduce unemployment and migration to the cities.

## Economic updates

◆ **Growing growth** - According to the *Tuoi Tre* newspaper, the State Planning Committee is predicting the Vietnamese economy will grow 9.5% this year, up from 8.8% in 1994. Industrial output is expected to grow at 14%, services at 12.6% and agriculture at 4.7%. The State Planning Committee forecast an increase in the trade deficit from US\$1.4 billion in 1994 to US\$1.8 billion in 1995. Exports are expected to climb from US\$3.6 billion to US\$4.7 billion and imports from US\$5 billion to US\$6.5 billion.

◆ **Reaching economic targets** - Speaking at a news conference on 29 September in advance of the month-long session of the National Assembly scheduled to open on 3 October, National Assembly official Vu Mao said Vietnam has performed well in all key economic areas. "So far this year, almost all economic targets of 1995 are possibly fulfilled or overfulfilled," Mao said. The main law before the upcoming session of the National Assembly is the Civil Code. Other issues to be discussed include social justice, the polarization between rich and poor, and a law to set up an administrative court for citizens with a grievance against officials to seek redress.

◆ **Rice investment** - On 29 September, Pham thi Tuoc, an agriculture ministry official, said that Vietnam plans to invest in the rice industry to increase production to 26-27 million tons by the year 2000. Vietnam will invest US\$200 million to improve and develop irrigation and drainage systems in the Mekong and Red River deltas. The country will also introduce new and high-yielding varieties of rice, and maintain the existing 4.3 million hectares of land under rice production. Output is expected to reach 24 million tons this year, compared with 23.3 million tons in 1993. Tuoc said that exports will be capped at 2 million tons per year by 2000, to meet the demands of Vietnam's growing population, and to provide for Vietnam's rapidly expanding livestock industry.

◆ **Stock market** - On 27 September, the governor of Vietnam's State Bank, Cao Si Kiem, said that the country's first stock market should open in 1996. Kiem said that any company, including foreign firms and investors, will be able to participate in the stock market, which will have trading floors in Hanoi and HCMC. Kiem also said most state-owned companies will eventually be turned into stock companies. Kiem said that for the stock market to be implemented, three issues need to be settled concurrently: privatization of state companies, establishment of a national stock committee to act as a management board, and the training of traders.

◆ **T-bills to be issued** - *Nhan Dan* reported that on 1 October that the Ministry of Finance will issue new one-year treasury bills. The minimum face value of the bills is 100,000 *dong* (US\$9) and the annual interest rate is 21%. The t-bills will be issued in 33 provinces for purchase by Vietnamese individuals or companies as well as foreign residents.

### Visiting vips

◆ **Lithuanian prime minister** - Prime Minister Adolfas Slezevicius of Lithuania paid a two day visit to Vietnam on 27-28 September, meeting Vietnamese leaders Do Muoi, Le Duc Anh, and Vo van Kiet, and other officials. The two countries signed agreements on economic and trade cooperation, investment promotion and protection, and avoidance of double taxation.



◆ **US state governor** - Mike Lowry, governor of the state of Washington, led a 22-member business delegation to Vietnam on 25-27 September. The delegation met with Trade Minister Le van Triet, US embassy staff, and other officials. Lowry attended the opening of the Hanoi office of the Washington-based company Airborne Express. The governor's office said that goods worth US\$84 million, 38% of US-Vietnam trade in 1994, passed through Washington ports. Washington exported 6.3 million pounds of apples to Vietnam in the past 12 months. The state also hopes Vietnam will purchase aircraft from the Seattle-based Boeing Corp.

◆ **Coming soon** - Sudanese President Omar Hassan Ahmad Al-Bashir arrived in Vietnam on 29 September for a three-day visit. Thai Prime Minister Barham Sipla-Archa will visit on 1 October. Iranian President Akbar Hashemi Rafsanjani will visit 5-9 October.

## Other updates

◆ **Dam project** - On 25 September, the *Vietnam News* reported that the Ministry of Energy is planning to begin construction of a US\$3.5 billion hydroelectric project on the Dong Da River within the next three years. The dam will be located at Son La, 25 miles west of Hanoi. The project, scheduled for completion in 2007, is designed to generate 3600 megawatts of power, which can provide an equivalent of 30% of Vietnam's current electricity output.

◆ **Containers un-contained** - On 26 September, *Nhan Dan* reported that Prime Minister Vo van Kiet stepped in to resolve a dispute between the Ministry of Transport and police that was decreasing the number of container cargo passing through Haiphong. The dispute centered on jurisdiction and conflicting regulations governing the height of containers on Highway Five linking Haiphong and Hanoi. The dispute reduced the number of containers moving through the port to one-eighth of its previous volume of 250 per day, delaying the arrival of container ships, and decreasing the number of ships docking in Haiphong by 16% in the first two weeks of September.

## CAMBODIA

### Privatization priority

On 21 September, at a seminar on the role of business in economic development and the political process in Cambodia, Commerce Minister Cham Prasidh told participants that the government was committed to continuing its policies of privatization and encouragement of private business sector. The two-day seminar, "The Institutional Role of Business in Economic Development and the Political Process" is being hosted by the US-based Center for International Private Enterprise and Cambodia's Preah Sihanouk Raj Academy. US Charge D'Affairs Bob Porter stressed that a dynamic private sector was essential to growth and economic development in the face of declining foreign aid. First Prime Minister Prince Norodom Ranariddh informed participants that most state-owned companies in the country have been privatized, including the entire airline industry, and full privatization of the insurance industry is expected soon. Privatization, now embraced by the

government as the vehicle for improvement of economic performance, began in September 1993 when the Royal Government of Cambodia was established.

## Leadership mending

The government announced on 28 September that King Norodom Sihanouk will have a second eye operation in October, following the success of last week's cataract removal in Beijing [See *Digest*, 22 Sep]. Government spokesman Sieng Lapresse announced the full recovery of Co-Premier Hun Sen after an operation two weeks ago in Singapore to remove a benign growth from his lower back. The stitches were removed in Phnom Penh, after which doctors warned the leader "not to sit too long." Hun Sen is still scheduled to attend the summit of the Non-Aligned Movement in Columbia in October.

## Diplomat demands compensation

Bulgarian diplomat Vasco Ivanov has demanded that the Cambodian government pay compensation of US\$40 million to his 18 year-old son who was hit by gunfire near the house of co-Prime Minister Hun Sen last month. [See *Digest*, 1 Sep] The government of Bulgaria has sent an official note to the Cambodian Foreign Ministry following the incident that injured two other foreigners and left another 17 year-old Bulgarian brain damaged. The letter demands a full investigation of the incident and compensation for evacuation and medical expenses incurred by the victims.

## Military cooperation

◆ **Thailand** - On 29 September, Thai Defense Minister Chavalit Yongchaiyudh arrived in Phnom Penh with a 57-person delegation to establish a Thai-Cambodian joint border commission. The two countries signed an Agreement on Border Cooperation, which was negotiated over the past 12 months. The agreement will bring together Thai and Cambodian military, police, trade, immigration, forestry, finance, and anti-narcotics officials to address banditry, smuggling, and illegal immigration problems. Cambodian Co-Defense Minister Tea Chamrath said that the agreement was not intended to further isolate Khmer Rouge guerillas operating on the Thai border. "This is about a closer relationship between Cambodia and Thailand and as for the Khmer Rouge, they are like mosquitoes, they are a small problem," Chamrath said.

◆ **US** - On 29 September, the secretary of state in the Ministry of Defense, Ek Sereywath, said that Cambodia will hold its first military exercise with the US in early October. About 30 US military engineers will take part, which will focus on removing mines and improving health care.

## Aid Updates

◆ **ADB roads** - On 29 September, the Asian Development Bank (ADB) announced approval for a US\$25.1 million loan to Cambodia aimed at raising living conditions in rural areas of the six southern provinces Prey Veng, Svay Rieng, Takeo, Kandal, Kampot and Kompong Cham. The interest-free loan carries a grace period of 10 years, an annual service charge of 1% and a 40 year payback timetable.



◆ **Japanese health equipment** - The Japanese Embassy in Phnom Penh announced a US\$118,078 contribution to the Cambodian Health Ministry to equip one dental clinic, purchase 13 dental equipment sets, and 450 midwifery and birth assistance kits. Upgrading equipment in these sectors is intended to counter poor dental service, an infant mortality rate of 117 per thousand, and a maternal mortality rate of 8-10%.

◆ **Thai religious assistance** - On 27 September the Khmer press agency announced a US\$40,000 grant from the Thai government for cultural assistance. The Cambodian Ministry of Religion will distribute 25 Buddha images, 185 sets of dharma textbooks, and four sets of the tripitaka.

### Other updates

◆ **Morphine seized** - On 27 September, the *Cambodian Daily* reported that police seized 12 kg (264 lb) of morphine powder in Kompong Chhnang. According to police, the smugglers escaped in a taxi during the seizure. First Prime Minister Ranariddh has called for the reimposition of the death penalty for murder and drug trafficking.

◆ **French press pull-out** - On 25 September, French publisher Editions du Mekong announced the temporary cancellation of two newspapers due to budgetary problems. Editor in Chief Marc Victor predicted that *Le Mekong* and *Cambodge Soir* would be back in circulation in October. The company receives US\$40,000 from the French government, but is seeking additional funding to keep the papers in circulation. *Le Mekong* and *Cambodge Soir* have circulations of 10,000 and 1,000 per addition respectively.

## LAOS

### Floods destroy rice crop

On 26 September, Steve Keller, emergency coordinator of the UN's World Food Program, said that severe flooding has devastated the main rice crop, damaging 70,000 hectares (175,000 acres) of farmland, and affected nearly 10% of the population. "About 150,000 people have almost no chance of any food reserves. They need supplies of food very soon," Keller said.

## REGION

### Updates

◆ **Thailand wants hold of AFTA** - On 27 September, Thailand rejected proposals to speed the implementation of the ASEAN Free Trade Area (AFTA) to the year 2000, instead of AFTA's original target date of 2003. "What I am suggesting is that any attempt to open up the economy in one fell swoop will incur political costs. Countries need time to adjust and prepare their constituencies for the inevitable," Deputy Prime Minister Amnuay Viravan said.

◆ **Spratly workshop** - Indonesia announced that it plans to hold its sixth workshop on the Spratly Islands dispute beginning on 8 October at Balikpapan, in East Kalimantan. Indonesia is not a claimant to the islands, but has hosted five informal meetings on the dispute since 1990.

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## Indochina



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