



Indochina

Digest

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TRADE/INVESTMENT

Vietnam updates

- ◆ **Auto-show** - Auto Vietnam '95, a five-day automotive exhibition opened in Hanoi on 5 October. The show is Vietnam's largest automotive exhibition to date, with 63 companies participating, including Ford, Chrysler, Toyota, Daihatsu, Suzuki, Mercedes, and Fiat. The Ford exhibition featured its Taurus GL, Transit, Explorer XLT, Contour, and Crown Victoria models. "Ten years from now, there's no reason why Vietnam's auto industry can't be as developed as Thailand's is today," a Ford executive said. Others were less enthusiastic about a market that only bought about 6500 new cars, trucks, and buses last year. "I wonder why so many manufacturers are coming here," said Shunroki Atarashi, director general of the joint venture Vinastar. "Last year when we set up in Vietnam there were only a few of us. But now at least 11 manufacturers have been given licenses to operate here. I don't know why the government gives licenses to so many."
- ◆ **Ford breaks ground** - On 4 October, Ford Vietnam Ltd held an official ground-breaking ceremony for its 15,000 square meter assembly plant located in Hai Hung province, 55 km east of Hanoi. Ford Motor Co and Vietnam's Song Cong Diesel Co received a joint venture license for the US\$102 million project on 6 September [see *Digest*, 8 Sep]. Vehicle production is expected to begin in 1997.
- ◆ **More ground-breaking news** - On 4 October, Singapore's DBS Land held a ground-breaking ceremony for a US\$19.5 million apartment complex in HCMC [see *Digest*, 17 Mar]. The main contract for the project was awarded to Thailand's Christiani & Nielson (Thai) Public Co Ltd.
- ◆ **NY arbitration** - On 25 September, the *Vietnam Investment Review (VIR)* reported that Vietnam is now a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, also known as the "New York Convention." Vietnam's entry follows a recent decision by President Le Duc Anh. According to the *VIR*, "Vietnam's accession to the New York Convention may provide an effective mechanism that will help reduce the risks of transnational commerce."
- ◆ **German insurance** - On 5 October, Germany's Allianz AG Holding, Europe's largest insurer, announced that it signed an agreement to set up an insurance joint venture with Australia's Manufacturers Mutual (MMI), Vietnam's Vietcombank, reinsurer Vietnam Re, and Vietnam Private Bank. Allianz will hold 30% of the new company, with MMI holding 10%, and the Vietnamese firms holding the remainder.

◆ **Airbus?** - Jean Pierson, chairman of Europe's Airbus Industrie, told *Reuters News Agency* in a 5 October interview in New Delhi that the company is selling ten aircraft to Vietnam Airlines. "We are going to sell ten aircraft, A320s, to Vietnam," Pierson said. "We are going to sell. The announcement will come in due time." *Reuters/London* reported that Boeing stocks went down in London trading following the announcement. However, a Vietnam Airlines official told *Reuters* in Hanoi that the airline only plans to lease the aircraft. "We are not going to buy, we are going to lease ten Airbus aircraft, because our leasing contract with Air France is going to expire by the end of this year," the official said, adding that the airline was discussing the possibility of leasing the planes with Air France and Singapore's RegionAir.

◆ **Bank increases capital** - On 1 October, Indovina Bank, a joint venture between Bank Dagan Nasional Indonesia and the Industrial and Commercial Bank of Vietnam, announced that it has increased its registered capital to US\$15 million. Indovina is based in HCMC, with branches in Hanoi and Haiphong.

◆ **Taxi deal** - On 5 October, ST Automotive (Vietnam) Pte Ltd, a subsidiary of Singapore Technologies Industrial Corp, announced that it will take part in a US\$12.5 million joint venture project in HCMC to manage a fleet of airport taxis and a workshop to maintain airport ground support equipment and vehicles. Other partners in the Southern Airports Transport and Engineering Services Co (SATESCO) include Japan's Sumitomo Corp and Vietnam's Southern Airport Services Co Ltd (SASCO).

◆ **New telecom co?** - On 4 October, *Vietnam News* reported that a group of 11 state-owned firms in HCMC have requested government permission to establish a telecommunications company. The Saigon Joint Stock Telecommunications Service Co plans to provide telephone and other communications links, and equipment for manufacturing, assembling, and trading services. Vietnam Posts and Telecommunications (VNPT) currently has a monopoly on communications in Vietnam. A proposal by the Ministry of Defense to open its own telephone network is being delayed by objections from VNPT.

Cambodia updates

◆ **TV station sold** - On 1 October, the International Broadcasting Corp Plc (IBC), a unit of Thailand's Shinawatra Group, announced that it has sold its 99-year television concession to Thailand's Mica Media Co [see *Digest*, 8 Sep]. Bangkok's *The Nation* reported that IBC was losing one million baht (US\$40,000) per month since the UN peacekeeping operation ended due to a decline in TV advertising.



◆ **Telecom improvement** - On 3 October, the Telecommunications Ministry inaugurated a new telephone system, increasing the country's telephone network density by 30% by adding 6000 lines. France's CIT Alcatel installed the system, using a 15.7 million French franc (US\$3 million) grant from the French government. "The ministry will use 4000 lines to replace the old Penta Conta telephone system and another 2000 lines for new consumers for new consumers," a ministry official said. The old system was installed by France in the 1960s.

◆ **Unocal** - On 4 October, the head of Unocal's Asia and Pacific Region, John Vadermeer, met with First Prime Minister Norodom Ranariddh, and expressed the company's interest in oil exploration off Cambodia's coast. "I am here in particular to express our strong interest and commitment to assisting in the development of oil and natural gas resources in Cambodia, with particular attention to overlapping areas with Thailand," Vadermeer told reporters following the meeting. "We are hopeful, that's why we are here. We will invest according to the prospectivity that we see. If we are successful, it would be well over US\$100 million." Unocal recently opened a representative office in Phnom Penh, and has a history of oil and gas exploration in the Gulf of Thailand with Thai companies.

VIETNAM

National Assembly session opens

On 3 October, Vietnam opened its current session of the National Assembly, which is expected to last one month. Prime Minister Vo van Kiet opened the session. Kiet said that Vietnam's economy performed well, but could do better. Problems with the economy that Kiet cited included the ineffective use of resources, an imbalance in the state budget, slow progress in privatization and developing the stock market, a complicated and irrational tax system, smuggling, corruption, and unemployment. Kiet set a target of 9.5% to 10% growth for 1996.

Visit updates

◆ **Sudan** - Sudanese President Omar Hassan al-Bashir visited Hanoi and HCMC on a two-day visit 29-30 September. During the visit, the two countries signed a framework agreement on bilateral cooperation.

◆ **Thailand** - Thai Prime Minister Banharn Silpa Archa visited Vietnam on 2 October, and met with Party Secretary General Do Muoi, President Le Duc Anh, and Prime Minister Vo van Kiet. The Prime Minister also attended a ground-breaking ceremony for a Thai joint venture hotel.

◆ **Iran** - Iranian President Ali Akbar Hashemi Rafsanjani began a four-day visit to Vietnam on 5 October. The two countries will sign a cooperative agreement on 7 October. Iran announced it is interested in assisting Vietnam with the development of its oil industry, and building an oil refinery in Vietnam.

◆ **The president** - Vietnamese President Le Duc Anh is scheduled to pay a four-day visit Havana starting on 12 October. Anh is also scheduled to visit Brazil on 8 October,

and visit Columbia following the visit to Cuba, before coming to the US to attend the commemoration of the 50th anniversary of the UN.

◆ **Malaysia's royalty** - The Yang di-Pertuan Agong (King) Tuanku Ja'afar and the Raja Permaisuri Agong (Queen) Tuanku Najihah of Malaysia are scheduled to make an official visit to Vietnam in December at the invitation of President Le Duc Anh.

Other updates

◆ **Crestone talks rejected** - In an interview with *Reuters News Agency*, PetroVietnam President Ho Si Thoang said Vietnam has rejected talks with Randall Thompson, president of the US-based Crestone Energy Corp, on discussion of joint development in the South China Sea (Eastern Sea) in an area where Crestone has already signed an exploration agreement with China. Thompson made a proposal to PetroVietnam for a joint development agreement in August. "He needs to cancel the contract [with China] and come to Vietnam," Thoang said. "We can have cooperation with him any time, but no joint development could be discussed."

◆ **News news** - On 2 October, the Saigon Times Group in HCMC launched Vietnam's first daily English-language business newspaper. More than 5000 copies of the paper were printed, with four pages of news and four pages of advertisements. *The Saigon Times Daily* is Vietnam's second daily newspaper published in English; the other is the Vietnam News Agency's *Vietnam News*.

◆ **US medical aid** - The US government is assisting in a relief effort organized by the Georgia-based Medical Assistance Program International and the Colorado-based Resource Exchange International (REI-Vietnam). The US Defense Department covered the cost of chartering a DC-8 aircraft, which arrived in Hanoi on 5 October. The aircraft carried more than US\$1 million in donated medical supplies, including a heart-lung machine, and plastic heart valves. Most of the surgical-related equipment will go to the Viet-Duc Hospital in Hanoi, with other medical supplies also going to Hue. The donations were based on an assessment by a team of American doctors who visited Vietnam last November.

CAMBODIA

BLDP sans Son Sann?

Thirty-nine people were injured in Phnom Penh, 30 September, when a grenade exploded in the offices of a political faction of the Buddhist Liberal Democratic Party. The attack was apparently intended to intimidate followers of BLDP leader Son Sann, whose headquarters were also attacked in a related incident on the same day--23 Son Sann supporters were injured in that attack. The attacks are the latest in a series of incidents that have increased tensions inside the BLDP over the leadership of the party. Son Sann is opposed for BLDP leadership by Ieng Mouly, the head of the interior ministry. Son Sann has attempted to strengthen his own position by calling for a public rally of BLDP



members, but the rally has been banned by the government. While Mouly's ministry is charged with providing security in the country, the ministry office reacted to the attack by saying it could not prevent further violence if Son Sann went ahead with plans to hold the rally. This position was supported by Second Prime Minister Hun Sen, who told a reporter that if Son Sann went ahead with the banned rally and violence occurred he would hold the organizers responsible.

Press appeal rejected

On 6 October, a Phnom Penh court rejected an appeal by Chan Rathana, editor of *Samleng Yu Khmer* (Voice of Khmer Youth), who faces one year in jail and a US\$2000 fine for defaming Cambodia's two prime ministers [see *Digest*, 20 Jan]. The newspaper was suspended and sued by the Information Ministry in January. During the appeal, the judge refused a request from the prosecutor to double the fine and to permanently shut down the newspaper. State Secretary of Information Khieu Kanharith said that the government has introduced a new press law restricting the use of jail terms, but that the old law applies to Rathana's case. Kanharith said he will try to negotiate with the Supreme Court to have Rathana's case dropped.

Updates

◆ **US state visits** - On 2 October, a trade delegation from the State of Washington visited Cambodia, following a visit to Vietnam [see *Digest*, 29 Sep]. The delegation met with First Prime Minister Prince Norodom Ranariddh, and discussed establishing a sister city link between Seattle and Sihanoukville. Velma Veloria of the Washington Trade and Economic Development Committee said that "there are so many opportunities, it's difficult to focus on which ones to address," adding the suggestion to prepare a "needs assessment" with Cambodian officials to identify potential joint venture partners in Washington and Cambodia.

◆ **Real gems** - The Khmer Rouge have stepped up gem mining around their border base in Pailin, in an attempt to offset financial losses incurred when the Thai government agreed to enforce a Cambodian government ban on log exports. Logging was a chief exporter earner for the Khmer Rouge prior to the ban. The soil around Pailin is rich in gems, according to Cambodian officials, so it is not surprising that the Khmer Rouge would use their control of the territory to mine and sell prime rubies and sapphires. The sale of such gems could result in millions of dollars in profits that would go into Khmer Rouge coffers, Cambodian government officials claim.

◆ **Two for tea** - Cambodian government officials may be overemphasizing the dangers posed by the new gem mining venture, at least if Thai Defense Minister Chavalit Yongchaiyudh is correct in his assessment that the Khmer Rouge "mean nothing at all." Chavalit's statement came at the end of a two-day official visit to Cambodia where he signed a border security pact with Cambodia's co-Defense Minister General Tea Banh and General Tea Chamrath. Chavalit said that his trip was very successful and that he was very positive about Thai businessmen making more investments in Cambodia.

◆ **Return of the general** - On 5 October, Australia's General John Sanderson arrived in Cambodia for a three-day visit [see *Digest*, 8 Sep], two years after ending his mandate as commander of 15,000 UN peacekeeping troops. "I have come here mainly to talk about cooperation between the Australian army and the Cambodia army to develop a trained professional force for Cambodia.

◆ **Soccer league** - On 2 October, Ravy Khek of the Cambodian Football Federation said that Cambodia is negotiating sponsorship with a tobacco company to establish a two-division soccer league. "It will be like a professional league, but the standard of most of our players is amateur," Khek said. "They will be paid but it won't be enough for them to play full time. Hopefully, we'll be able to change that in two or three years."

REGION

Spratly spat overlooked

The continuing controversy over who controls the resource-rich Spratly Island chain was put aside on October 5, when a group of Southeast Asian nations meeting in Jakarta, Indonesia agreed to boost cooperation on navigation, shipping and communications in the South China Sea. This is the first agreement of its kind since tensions over the islands escalated earlier this year when the Philippines accused China of sending armed ships to the archipelago. Three nations, the Philippines, Malaysia, and Brunei claim parts of the Spratlys, while Taiwan, China, and Vietnam claim them all. The dispute was seemingly put aside, at least for the time being, as attendees focused on issues on which they agree. "Cooperation on safety on navigation, shipping, and communication is desirable and possible," Indonesian officials said in a statement, "despite unresolved territorial and jurisdictional issues."

Indochina at the UN

Cambodian Foreign Minister Ung Huot addressed the General Assembly of the UN on the morning of 2 October, and Vietnamese Foreign Minister Nguyen Manh Cam made his address that afternoon. A speaker from Laos is scheduled to address the assembly on 11 October. At the upcoming special commemorative meeting of the General Assembly for the UN 50th anniversary, which begins on 21 October, the president of Vietnam is scheduled to speak on 23 October, with the prime minister of Cambodia and the foreign minister of Laos scheduled to speak on 24 October.

Fishermen freed

On 1 October, 58 Chinese fishermen returned to China after being held for six months following their arrest for fishing in a disputed area of the Spratly Islands chain in March [see *Digests*, 1 Sep & 31 Mar]. The four senior officers of the fishing vessels remained behind pending further investigations.



US POLICY

Post-UN Washington visits

◆ **Vietnam** - Foreign Minister Nguyen Manh Cam visited Washington, DC following his address to the UN General Assembly in New York. Cam was joined by Minister of Trade Le van Triet, Minister Tran Xuan Gia, vice-chairman of the State Planning Committee, and other officials. During the visit, the delegation examined the normalization of US-Vietnam economic relations, and met with National Security Advisor Anthony Lake, Secretary of State Warren Christopher, Deputy Assistant Secretary of Veterans Affairs Hershah Gober, officials from OPIC, the Export-Import Bank, and the World Bank.

◆ **Cambodia** - Cambodian Foreign Minister Ung Huot visited Washington following his address to the UN. Huot met with US Secretary of State Warren Christopher on 3 October. Christopher reiterated the US commitment to support Cambodia's progress towards democracy and towards economic reform and development, and said he hoped that the Senate would pass the necessary legislation to grant Cambodia with most favored nation (MFN) status soon.

Mixed signals

American officials articulated their concern that lagging trade reforms in Vietnam could hamper that nation's attempt to enter into fuller trade relations with the United States. Speaking at a conference on economic ties between the two nations held in Washington on 5 October, Undersecretary of

State Joan Spero said that despite normalization of relations between the two countries, Vietnam "is still a very difficult place to do business." Vietnam Foreign Minister Nguyen Manh Cam and Trade Minister Le van Triet attended the one-day meeting and emphasized that trade growth between the US and Vietnam could happen now that both countries have brushed aside "the bitter past." Spero noted that US-Vietnam trade relations had improved but that US investments in Vietnam were hampered by "often nontransparent and contradictory regulations." The conference was sponsored by the US-Vietnam Trade Council, the Asia Foundation, and several trade council members.

Trade with honor

A scheduled high-level meeting between US and Vietnamese trade officials set for next month could lead to Vietnamese membership in the World Trade Organization, according to US government officials. Deputy US Trade Representative Chalene Barshefsky said that the negotiations will cover many of the issues that Vietnam needs to address to join the WTO, including problems with import quotas, licensing, investment restrictions, foreign exchange controls, and the establishment of an effective trade dispute mechanism. The United States believes that the talks, which are intended to lead to a comprehensive trade agreement between Vietnam and US, will set a necessary foundation for leading Vietnam into the WTO. But first, Washington officials say, Vietnam will have to take steps to improve its own trade practices. "For economic relations with Vietnam to be normalized we will need to see a movement by Vietnam toward [acceptance of] international trading rules and international standards," Barshefsky said.

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