



Indochina

Digest

Vol. VIII

3 November 1995

No. 44

TRADE/INVESTMENT

Vietnam up in the air

◆ **Going private** - On 1 November, government officials announced that Prime Minister Vo van Kiet has decided to allow Pacific Airlines to sell its shares to non-state sectors [see *Digests*, 30 Dec 94, 5 Mar 94]. Pacific Airlines is Vietnam's first joint-stock aviation service, with all stock currently held by state-owned companies. In addition, Kiet has instructed the finance ministry to study a proposed two year tax holiday for airlines.

◆ **New planes** - Singapore's *The Straits Times* newspaper reported 31 October that Singapore's Region Air is finalizing a deal to lease ten Airbus A320s to Vietnam Airlines. The ten year agreement calls for delivery of eight planes in June 1996 and delivery of the remaining two in early 1997. Vietnam Airlines will have the option of buying the aircraft at the end of the lease.

Vietnam updates

◆ **Floater's new mooring** - On 16 October, the *Vietnam Investment Review* reported that officials of Saigon Tourism and Japan's EIE International are discussing plans to move the Saigon Floating Hotel to a new location on the Thi Nghe Canal in the Binh Thanh district of HCMC. The hotel's five-year dockside lease at its present location expired in September 1994 [see *Digest*, 2 Sep 94]. Earlier, the HCMC People's Committee announced that it wanted the hotel moved, citing "environmental and landscape protection" concerns. The new location, near the Bason Shipyard on Ton Duc Thang street, will be linked to the proposed expansion of Le Thanh Ton street. The hotel will be separated from the US\$5 million platform built to support its current location.

◆ **LPG awards** - On 3 November, the manager of Petrolimex Saigon announced that Unique Gas, a joint venture between Thailand's Unique Gas and Petrochemicals and Japan's Mitsui Corp, will begin sales of liquefied petroleum gas (LPG) cylinders in southern Vietnam by the end of this year. Unique Gas has invested in a 800-ton capacity plant between HCMC and Vung Tau. In the north, Daihai Gas Co is building an LPG terminal, which is projected to begin marketing LPG by the end of the year. Daihia is a joint venture between Vietnam's Haiphong Provincial Shipwrecking Co and Taiwan's Ching Fong Group. The Petrolimex official was speaking at an LPG conference in Singapore. He added that Shell is expected to begin marketing LPG in Vietnam within two years. Vietnam's LPG consumption in 1993 was 1500 tons, increasing to 9000 tons in 1994. Demand is expected to reach 30,000 tons this year, and 75,000 tons in 1996.

◆ **BBI to break ground** - On 1 November, a ceremony was held to mark the location of the Non Nuoc Seaside Resort, the US\$243 million resort being built by BBI Investment Group of Chevy Chase, Maryland, and its local joint venture partner, the Nan Nuoc Tourist Co [see *Digests*, 14 Apr, 30 Sep 94]. The joint venture partners are preparing to break ground on the resort next month. The resort will include five hotels, a conference center, and a golf course.

◆ **Operation cooperation** - A Malaysian official announced 31 October that Malaysia and Vietnam will jointly explore for oil and gas in territorial waters where the two nations have overlapping claims. An agreement was signed in June 1992 to conduct exploration in the 500 square mile area for a forty year period. Prospecting is expected to begin soon.

◆ **Hyundai** - Hyundai Mipo Dockyard Co, a division of South Korea's Hyundai group, announced 31 October that it will form a US\$100 million joint venture with the Vietnam Shipbuilding Union to start a ship repairing and conversion company. A site for the venture, which will be completed by 1998, has not been determined, but company sources say it will be built on or around Honkhoi.

◆ **Mabuchi** - Mabuchi Motor Co announced 31 October that it plans to start a wholly owned subsidiary in Vietnam that will manufacture small motors for car and audio equipment parts. A factory will be built at Bienhoa and will be operational by April 1997. It will initially employ 1110, a figure which will grow to 4600 by 1999.

◆ **UMW** - Malaysia's UMW Holdings Bhd and six foreign companies have announced they will begin a joint venture to undertake pipe threading activities in Vietnam. The company, Citra Sumit Valind Investments Pte Ltd, will have initial capital of US\$1.98 million and will work with local partner Petroleum Assembly Enterprise Corp. A foreign investment license has been issued, and plant construction plans are being finalized.

◆ **South Korean hotel** - On 3 November, Ssangyong Engineering and Construction Co announced that it won a US\$42 million order to build a 23-story, 325-room Westlake International Hotel in Hanoi. Singapore's Pidemco Land Co awarded the contract to Ssangyong. Construction will begin this month, with completion scheduled for August 1997.

◆ **Tainan Spinning Co** - Taiwan's Tainan Spinning Co announced on 1 November that it will invest US\$20 million to establish a yarn plant in Vietnam. In late August, another Taiwanese firm, Taiwan Spinning, announced that it was establishing operations in Vietnam [see *Digest*, 1 Sep].

◆ **Nomura** - Japan's Nomura Securities Co announced on 26 October that it has opened a representative office in Hanoi. Nomura is one of the first Japanese securities firms to open an office in Vietnam.



◆ **Rep office stats** - On 16 October, the *Vietnam Investment Review* reported that Vietnam has licensed 1,725 foreign representative offices from 52 countries, according to Deputy Minister of Trade Mai van Dau. There are 1049 licensed representative offices in HCMC (62% of the total) and 592 in Hanoi (30%). The number of US representative offices is 128.

◆ **Japan investment team** - Japan's Fuyo group announced that it will send a team of investment experts to Vietnam and Burma for eleven days beginning on 26 November. The delegation will propose specific plant construction and business projects, and appraise the investment environment in the two countries. The Fuyo group includes Fuji Bank and the Marubeni trading company.

Laos updates

◆ **Hotel deal** - Accor Asia-Pacific has signed a management and equity contract for the Belvedere Hotel in Vientiane, making it the first international hotel chain to enter Laos. The agreement, which calls for a ten year management contract and twenty percent equity, was signed by the hotel's owners, Guthrie GTS.

◆ **Turn it on** - On 1 November, Swiss companies Sulzer Hydro and ABB Switzerland announced that they have been awarded a contract with a total value of approximately US\$18.5 million to build a hydroelectric power station in Laos. The order for the Houay Ho plant was placed by South Korea's Daewoo Corp. The plant is expected to begin serving Laotian and Thai power networks in mid-1998.

◆ **Thai satellite venture** - On 1 November, Thailand's Asia Broadcasting and Communications Network Co Ltd (ABCN) announced that it has signed an agreement with the government of Laos to establish the Lao-Star Company Ltd, to launch a broadcast satellite by early 1998. Four firms have been short-listed to build and launch the L-STAR 1 satellite: Hughes Space and Communications, Lockheed Martin Astro Space, Space Systems/Loral, and Aerospatiale SA. ABCN will hold an 80% stake in the company, which will operate the satellite system for 30 years.

VIETNAM

Economic targets set

On 29 October, the National Assembly approved a series of economic targets for 1996. The growth target of 9% to 10% is the same as that for 1995. The Assembly approved a revised inflation rate of 14% for 1995, with the same figure expected in 1996. In addition, it approved projected increases in agricultural and industrial growth of 4.5% to 4.8% and 14% to 14.5%, respectively.

Know the code

On 29 October, the National Assembly passed Vietnam's first civil code. The 181 page document, comprising more than 830 articles, includes legislation on inheritance rights, intellectual property rights and civil obligations. The code, which will take effect 1 July, 1996, will allow residents of rural areas rights to their lands and properties. While the government will retain ownership, farmers will be able to occupy and mortgage their land to raise capital. After 10

years of debate, the legislation passed with an approval rate of approximately 90 percent. Assembly spokesman Vu Mao said: "The civil code is very important, and we consider it just [slightly] less important than the constitution of our country. We have taken into account the civil codes of other countries, but at the same time we have made the law distinctly Vietnamese."

Vietnam bans timber exports

On 31 October the Vietnamese government announced a ban on the export of eight categories of timber and timber products as of this month. The restriction covers all hardwood timber and a number of unfinished products. Finished wooden products are allowed to be exported. The new laws require the government to set quotas on logging and processing for licensed entities including joint ventures with foreign partners. The new restriction is meant to augment existing Forest Protection Laws.

Mining their own business

Nguyen Tien Phuong, director general of the department for management of mineral resources, told a conference in Bangkok that Vietnam expects to raise mining output significantly by 2000. Phuong gave no specifics as to how production will be increased, but gross output of the mining sector, excluding oil and gas, now totals less than two percent of the country's gross domestic product. Simon Handelsman, an American banking expert at the conference, pointed to a lack of reliable information about reserves and cumbersome regulatory frameworks as responsible for limited foreign investment interest. He added that the government is in the process of "resolving policy problems, and is working toward a clear policy to be competitive."

US doctors return

Nine members of Operation Smile International, an American volunteer organization of health care professionals, will travel to Danang on 6 November to spend two weeks performing reconstructive surgery on children facial deformities and scars. The team, comprised of four physicians, three registered nurses and two business professionals from the Seattle-area, will operate on between 160-180 children with cleft lips and palates, tumors and scars. Operation Smile, based in Norfolk, Virginia, sends similar teams around the world to perform reconstructive surgery on children. The organization has sent several teams to Vietnam since 1991, including seven volunteers from the Seattle-area who traveled to HCMC last November to operate on 160 children.

Healthcare criticized

Departing Health Minister Nguyen Trong Nhan criticized Vietnam's healthcare system during last month's session of the National Assembly, alleging it is plagued by corruption and criticizing the amount the government spends on healthcare. "I really feel sorry about the difficulty encountered by poor people when they need medical care, but in my opinion the situation cannot be ended." Nhan has reported the findings of an investigation into alleged misuse of aid money by officials at the ministry to Prime Minister Vo van Kiet, but stated: "The fight against corruption is really difficult and complicated." Nhan was replaced in last month's ministry reorganization.



Police Blotter

◆ **Gambling crack down** - Police in Hanoi last week raided the biggest gambling network so far discovered in the city. They arrested the head of the network, along with 73 clients. Police also seized more than US\$10,000 in cash, several treasury bills, nine Japanese motorcycles and a number of swords and knives.

◆ **Just say no** - A Vietnamese man convicted on drug charges in Lai Chau province was sentenced to death on 21 October. The man was found in possession of 123 kilograms of opium near the Chinese border. His two accomplices, a man and a woman, were sentenced to life imprisonment and eight years in prison, respectively.

CAMBODIA

Official resigns

Nguon Soeur, a founding member and deputy secretary of FUNCINPEC, resigned from the party 2 November, claiming that corruption and self-interest have destroyed it. "Corrupt and clandestine activities of a clique within the party are destroying the nation's economy and are responsible for deforestation and selling national property to foreigners," he stated. Soeur, who was removed from his position as deputy chief of police in July, will join the newly-formed Khmer Nation party, which will be launched 9 November.

French and Germans pledge aid

France and Germany have promised a total of approximately US\$15 million in fresh aid to Cambodia in a number of different packages. First Prime Minister Prince Norodom Ranariddh, spoke on state television 29 October upon his return from Europe, announcing that France has pledged new aid totaling approximately US\$10.7 million. The money will be used mostly for infrastructure projects. On 30 October, Kreditanstalt für Wiederaufbau, Germany's development bank, signed a financing agreement providing for a US\$4 million grant that will be used to purchase medication needed to combat tuberculosis and malaria.

German FM arrives

German Foreign Minister Klaus Kinkel arrived in Phnom Penh 2 November on a goodwill visit aimed at strengthening ties between the two nations. On 3 November, he met with King Sihanouk, Prime Ministers Norodom and Hun Sen, National Assembly chief Chea Sim and other officials. German Foreign Ministry spokesman Martin Erdman said it is hoped the visit will encourage the democratization process and economic recovery. Kinkel was also planning to discuss ways in which Germany could help clear the country of landmines. The delegation includes over 20 businessmen, leading Foreign Minister Ung Huot to speculate that his visit "will generate a lot of private investment."

Happy birthday

On 31 October, King Norodom Sihanouk celebrated his 73rd birthday at the royal palace in Phnom Penh. First and Second Prime Ministers Prince Norodom Ranariddh and Hun Sen joined parliamentarians in observing a Buddhist celebration ceremony.

Ranariddh defends logging policy

First Prime Minister Prince Norodom Ranariddh spoke on national television 29 October, defending the government's policy allocating logging concessions. "I would like to clarify [that] the commitment to stop tree cutting for export is still implemented," he stated. In response to recent fears from King Sihanouk and others about deforestation, Ranariddh responded: "The royal government has not been indifferent to this matter. It has never been careless about this matter... We allow trees to be chopped only in defined areas under control and supervision." However, Ranariddh stressed that the government needs to provide jobs for workers. The UN Food and Agriculture organization will send a forestry expert to Cambodia to assess the extent of deforestation.

ADB loan

On 2 November, Cambodia's Finance Ministry signed an agreement with the Asian Development Bank (ADB) for a US\$20 million loan to help boost basic skills in human resources development, and a US\$25.1 million loan for a rural infrastructure project. The ADB announced plans for these two loans in September [see *Digest*, 15 Sep]. The finance ministry also announced that it signed a Private Sector Framework Agreement with the ADB on 31 October. "The ADB's involvement in private sector initiatives will boost the government's stated policy to support the sound development of a strong private sector in Cambodia," Finance Minister Keat Chhon said.

US boat searches for Mayaguez MIAs

On 30 October, the US military began searching for the remains of 15 of the 38 marines killed during the rescue mission for the crew of the SS Mayaguez in May 1975. The missing were killed in helicopter crashes and by Khmer Rouge gunfire on Koh Tang island in the Gulf of Thailand. The search mission is being assisted by the US navy's recovery vessel, the USS Brunswick, which is believed to be the first US navy vessel welcomed into Cambodian waters in more than 20 years. The search operation entails cordoning off sections of the beach and keeping the sea out while US and Cambodian workers look for human remains. An earlier search of the area in 1992 was aborted, reportedly due to fears of mines around the helicopters and other sites.

REGION

Mekong meeting

The Mekong River Commission (MRC) is scheduled to meet in HCMC on 20-22 November. The Commission, which currently includes Cambodia, Laos, Thailand, and Vietnam, will seek funding to help start projects worth US\$200 million that are aimed at developing the Mekong River Basin. The final draft of the Mekong Work Program for 1996 included a total of 94 projects worth US\$199.52 million, of which US\$73.85 million has already been pledged from the international donor community. Representatives from more than 20 donor countries and international lending institutions will attend the HCMC meeting.



Off the hook in Spratlys

On October 25, fourteen Chinese fishermen were rescued by the Philippine Navy after their ship hit a shoal and was damaged at Likas Island, an area of the Spratly Islands claimed by Manila. Major General Carlos Tanega, chief of the Armed Forces of the Philippine Western Command, stated that the fishermen had entered the area illegally, but that he had ordered that they be released with no charges filed against them. Following a number of confrontations, including the detention of Chinese fishermen by the Philippines, officials from both countries met in August to devise a code of conduct for the region and promised to do away with "force or threat of force" to pursue their claims [see *Digest*, 11 Aug].

US POLICY

Jackson-Vanik waiver?

On 27 October, *Inside U.S. Trade* reported that the Clinton Administration is assessing congressional support for a preliminary plan to issue a waiver to the Jackson-Vanik amendment for Vietnam, a necessary step prior to extending most favored nation (MFN) trading status and export credit programs. The paper reported that an interagency team, headed by Deputy Assistant Secretary of State for International Finance and Development Alan Larson, will travel to Vietnam on 6 November. The delegation will include discussions on emigration issues and a bilateral

trade agreement to be negotiated by the US Trade Representative as part of its agenda. Depending on the outcome of the negotiations, and assessment of congressional support, the Jackson-Vanik waiver could be issued "very early in 1996." The paper quoted a US official as stating that the waiver would be determined without reference to human rights issues. However, the official emphasized that there is concern at the State Department that the US "adequately" address human rights issues.

FYI

Book on Vietnam highlands development

The East-West Center in Honolulu has recently published a book entitled *The Challenges of Highland Development in Vietnam*, edited by A. Terry Rambo, Robert R. Reed, Le Trong Cuc, and Michael R. DiGregorio. The 240-page book is a volume of edited conference papers examining the opportunities and challenges of developing the highlands, including cultural, natural, and policy characteristics of the highlands, recent development interventions, and ecological and cultural sustainability. Authors of the conference papers include academics, researchers, and development institution representatives from Vietnam, the US, and Britain. The book is available for US\$15.00, plus postage. Contact the Publication Sales Office, East-West Center, 1777 East-West Road, Honolulu, HI 96848; fax: 808-944-7376; E-mail: ewcbooks@ewc.bitnet.

The *Indochina Digest* is published weekly by the Indochina Project, a non-profit program of the Vietnam Veterans of America Foundation. Articles are based on wire service stories, published news accounts and staff reporting from a broad network of primary sources. Reprint of *Digest* material is encouraged, but attribution is requested. Reader contributions, corrections and comments are invited. If you would like more information on any of these articles or to subscribe to the *Digest*, contact the Indochina Project.

Indochina



Project

2001 "S" St., NW, Suite 740
Washington, DC 20009
USA
Phone: (202) 483-9222
Fax: (202) 483-9314

ID#3,7