



Indochina

Digest

Vol. VIII

17 November 1995

No. 46

TRADE/INVESTMENT

Vietnam on the road again

Vietnam has selected five foreign companies to repair and expand a 280-mile section of Highway One, the country's main north-south highway. The companies are the Research Institute of Transport Science and Technology and Upham International Co of the US, Carl Bro International of Denmark, Chiyoda Engineering Consultants Co Ltd of Japan, and Thai Engineering Consultants Co Ltd of Thailand. The project for a southern portion of the highway, funded in part by a US\$120 million loan from the Asian Development Bank, will begin in January and will be completed in 1998.

Taking stock in Vietnamese bank

On October 25, Vietnam Joint Stock Commercial Bank for Private Enterprises (VP Bank) agreed to sell 10% of its shares to Vietnam Enterprises Investment Limited (VEIL), an investment company comprised of 16 foreign banks and financial institutions, including the National Bank of Kuwait, Britain's GT Management PLC, Belgium's Generale Bank and Japan's Nomura Trust. This is the second such transaction for VP Bank, which is the only joint-stock bank in Vietnam allowed to sell shares to foreign investors [see *Digests*, 2 Jun, 29 May]. The bank is expected to sell its third and final 10% share to foreign investors in the next few weeks. The decision on whether to allow these investors a seat on the bank's board will be made in December.

Vietnam joint venture updates

◆ **What's yours is mine** - On 10 November, Australia's Westralian Sands Ltd announced it reached an agreement with the Vietnamese Ha Tinh provincial government to resume mining and exporting ilmenite at the Austin Ltd project. The project, of which Westralian is a 60% partner, was stopped in June after a dispute with government authorities. The new agreement limits annual exports to 50,000 tons until Westralian finishes a feasibility study into the production of titanium dioxide pigment in Vietnam. Company officials say they will discuss long term ilmenite and zircon production with the government after the feasibility study is completed in 1996.

◆ **Siemens** - Germany's Siemens AG and its partner, the Vietnam Posts and Telecommunications Corp, broke ground for two factories which will produce fiber optic cable and electronic switches. The plants, located near HCMC, are expected to cost a combined US\$20 million. They are being built by Campenon Saigon Builders, a French-Vietnamese joint venture, and will begin operation in late 1996.

◆ **Volkswagen plant postponed** - On 16 November, the Ministry of Industry announced that Volkswagen has postponed plans to build a vehicle assembly plant in Vietnam. The decision, transmitted to the Ministry in a 24 October fax, cited low domestic demand for automobiles.

◆ **Mitsui "bachs" out** - On 13 November, Japan's Mitsui & Co Ltd said it will pull out of a US\$420 million natural gas venture with PetroVietnam and British Gas Plc. Last June, British Gas and Mitsui completed a feasibility study of plans for a platform at the Bach Ho offshore oil field, a pipeline and a gas processing plant. A Mitsui spokesman said that the project is not feasible under current contract terms, and that the company had been unable to reach a new agreement with the government.

◆ **Steel** - Nissho Iwai Corp, Japan's sixth largest trading company, will join Vietnam Steel Corp and Malaysia's SMPC Metal Industries to form a joint venture that will process steel plates. The venture, Vinanic Steel Processing Co, will begin production in the fall of 1996 and will have an initial production capacity of 2000 tons per month. Vinanic will be Vietnam's first steel plate processing operation.

◆ **Business park** - The Philippines' Boulevard Properties has signed a joint venture agreement with Hanoi Golden Lotus Hotel Co to build a business park in downtown Hanoi. The park will include a 10 story business tower, a 10 story residential condominium and a 294 room hotel.

◆ **Joints for pipes** - Japan's Sumitomo Metal Industries Ltd will form a joint venture with PetroVietnam, Sumitomo Corp, Indonesia's PT Citra Tubindo and France's Vallourec to produce joints for seamless steel pipes used in oil and gas developments projects. Vietubes Corp, with US\$2.6 million in capital and total investment of US\$10.2 million, will be based in Vung Tau. It will begin production in mid-1996 and will have an annual output of 25,000 tons.

Vietnam fuel deals

◆ **New importer** - PetroVietnam Oil Processing, Distribution and Marketing Company (PVPDC) announced on 13 November that it will soon receive a quota to begin importing gasoline and diesel fuel. PVPDC, launched last month, will import low-sulfur diesel fuel and unleaded gasoline, with diesel comprising 60% of imports and gasoline 40%. The firm plans to build 250,000 cubic meters of storage space in Haiphong, Danang, HCMC and Can Tho. The first storage facility will open in Haiphong in late 1996.

◆ **Contract** - Petrolimex announced on 16 November that it has negotiated a one year contract with Kuwait Petroleum Corp to purchase 500,000 tons of diesel and 80,000 tons of jet fuel [see *Digest*, 29 Sept]. The price will be made public after the contract's signing in late November or early December.



Vietnam's rice sales

♦ **Iraq** - Vietnam's embassy in Baghdad announced on 11 November that Vietnam has agreed to export 200,000 metric tons of rice to Iraq in 1996. The rice will be paid for with a combination of cash and forgiveness of debts owed to Iraq by Vietnam. Since 1990, Vietnam has exported approximately 100,000 metric tons of rice annually to Iraq.

♦ **Philippines** - On 13 November, a spokesman for the Ministry of Agriculture announced that the Philippine government has approached Vietnam with hopes of importing up to 300,000 metric tons of rice. Details of the exact amount and price have not been decided, but the Philippines has expressed hope that shipments will start early next year. The Philippine government hopes to import 500,000 tons of rice to combat a domestic shortage.

Laos investment stats

On 17 November, the *Vientiane Times* reported that foreign investment in Laos over the past six years has reached US\$5 billion. Thailand is the leading investor, with 228 projects worth 42% of total investment, followed by the US (37 projects, 32.85%), South Korea (15 projects, 8.54%), France (62 projects, 6.75%), and Australia (42 projects, 2.91%). Energy sector investments account for more than 76% of the total, followed by tourism (7%) and mining (5.6%).

VIETNAM

Kohl visits

On 16 November, German Chancellor Helmut Kohl arrived in Vietnam for a four day visit aimed at strengthening commercial ties and political relations. Traveling on a ten day tour of Asia, he came with a 180-member delegation that included Economic Minister Gunter Rexrodt and approximately 35 senior corporate executives. On 16 November, he met with Prime Minister Vo van Kiet in Hanoi, and on 17 November he met with other key government officials. Kohl then left for HCMC, where he presided over the groundbreaking ceremony at a new Mercedes Benz plant. He departed for Singapore on 19 November.

World Bank report

A World Bank report released this month states that Vietnam's economic progress has been impressive, but the country still has a long way to go in its market reforms. "Vietnam has recorded impressive results since the introduction of a comprehensive program of adjustment and reform in 1989: growth has been strong, inflation has been brought under control, and progress has been made in the transition to a market economy... [but] complacency would be misplaced, as Vietnam is only at the beginning of its road to sustaining high labor-intensive and broad-based growth in order to eliminate poverty."

The report recommends diversified, export-oriented, labor intensive development, but notes, "Current trends in industrialization are not fully consistent with this vision: state enterprises have in fact increased their share in industrial output and private businesses, though growing steadily, have lagged behind." It recommends a number of changes in policy, including reforms in entry regulations to minimize government interference in private business and to foster competition. It also advocates eliminating administrative restrictions on foreign trade, introducing environmental protection regulations and balancing regional growth and rural development.

Canada grants, gets MFN

On 13 November, visiting Canadian Foreign Minister Andre Ouellet and Vietnamese Commerce Minister Le van Triet signed an agreement in which Canada and Vietnam granted each other most favored nation trading status. Ouellet, visiting Vietnam 11-14 November, signed a number of other agreements, including a memorandum of understanding on the Vietnam-Canada financial management project with Finance Minister Ho Te and an environmental accord.

Tax reform

The *Vietnam News Agency* reports that Vietnam's taxation system will see further reform beginning in early 1996. It quotes Deputy Finance Minister Vu Mong Giao as saying the reforms will promote exports by imposing export taxes only on certain items. The highest rate of value added tax and special consumption tax will be reduced from 200 to 60 percent. In addition, Vietnam will reduce import taxes over the next ten years to fulfill ASEAN's Common Effective Preferential Tariff (CEPT) accord, a move that will allow it to integrate into ASEAN markets.

Spratly impasse

Vietnam and China failed to make any progress during a three-day round of talks over the disputed Spratly Islands. "China's sovereignty over the Nansha (Spratly) Islands and the South China Sea waters around them is unquestionable," stated Chinese delegation leader Xui Guangjiang after the talks ended in Hanoi. Chinese officials also declined to attend a three-day, 12 nation Spratly workshop in Manila last week. Reiterating China's claim to the whole of the Spratlys, China's ambassador, Li Luye, stated: "I don't think to discuss the security implications of the Spratlys will help promote understanding and solve the issue."

Judge charged

Bui van Tham, a Supreme Court judge and vice-head of the civil-court in Hanoi, has been charged with accepting a bribe from a claimant in a housing dispute in HCMC. The *Nhan Dan* newspaper reported that Tham is charged with accepting 9.9 ounces of gold and US\$500 in cash. The claimant recorded his conversation with Tham and then handed the tape over to police. According to the newspaper, Tham had been under suspicion for some time prior to his indictment.



Cement heads sacked

Construction Minister Ngo Xuan Loc has ordered the firing of two branch directors of the Vietnam Cement Corp following an official investigation into the black market frenzy for cement last spring. A shortage in April and May led to a sharp rise in the price of the commodity, and the official media reported last month that many black marketeers were employees and officials of Vietnam Cement Corp. Six more company officials were disciplined, but remained in their positions.

CAMBODIA

PM two said to be target one

Rumors that the Cambodian government was investigating reports that a team of assassins was planning to kill Second Prime Minister Hun Sen turned out to be true, after the leader said that he had ordered an immediate investigation of the alleged plot. "I confirm that this story is true and that the plot is based on the lowest of motives and will not be tolerated," the premier told the press on November 14. "They [the assassins] plan to kill me in 1996 on the road with B-40 rocket launchers and then, if not successful, [would attack me] inside the royal palace, because that place has no weapons checks and bodyguards are not allowed to enter." Hun Sen and Co-Prime Minister Prince Norodom Ranariddh signed an order turning the investigation of the alleged plot over to Hoc Landy, Cambodia's chief of police. The first rumors of a plot against Hun Sen came during the first week of November, when FUNCINPEC Secretary General Prince Norodom Sirivudh said that he had learned of the plot and had taken steps to thwart it.

Unemployment due for increase

Cambodia faces the likelihood of increased unemployment, labor experts are saying. "This economy is at a very initial stage of development vulnerable to any outside influence," Vali Jamal, a labor market and human resources expert of the UN's International Labor Organization says. "What is needed is training and credit programs to enable people to work productively." Jamal was making his comments in the wake of the release of a UN study that predicts that Cambodia's work force will increase from 4.5 million to six million people over the next five years. "To the 120,000 jobs that have to be created yearly has to be added the backlog of open unemployment of 90,000 workers and expected retrenchments from government service and the military," Jamal added. The government recently announced that it would cut its workforce by 20%, in keeping with an IMF report stating the government must cut its expenditures.

The politics of heroin

The Cambodian government responded swiftly to published reports that the nation is becoming a major transit point for drugs in Southeast Asia by saying that it would investigate the charges that high-ranking Cambodian officials were involved in the trade. "We will not allow Cambodia to be some kind of jumping-off ground for drugs," Prime Minister Prince Norodom Ranariddh said. "It does not matter if these people are high-ranking or not. They must be, not should be, punished."

According to the reports, which were made public in the *Far Eastern Economic Review*, the trafficking involves senior military and police officers, including the chairperson of the Cambodia Chamber of Commerce. Two police officers were arrested in mid-August for drug trafficking, but drug enforcement efforts have apparently fallen-off since then. The report added that ranking Cambodian government officials have warned military officers to "clean up their act." But if there has been a significant shift in drug interdiction, US officials have failed to notice it and are now considering placing Cambodia on the US list of major narcotics countries.

As good as Cambodia

A Malaysian company has announced that it will begin full-scale exploration of possible gold fields in northern Cambodia. Thavy Nhem, managing director for the Kuala Lumpur-based Delcom Services Sdn Bhd, announced that drilling and economic studies compiled by the company showed "very positive" results. "Now we are getting to the second phase of the prospecting phase, we are going into determination of the deposits, to find out the total amount of gold in the area," Nhem said. A pilot project in Cambodia's far north is expected to begin within the next sixty days.

Updates

♦ **Remains found** - A US military team searching for the remains of US servicemen killed in Cambodia in 1975 [see *Digest*, 03 Nov] has found a significant quantity of human bones and teeth at the crash site of a US Army helicopter. The remains will be sent to the US for forensic testing, but recovery team leader Capt. John Collie said he was confident that several soldiers will be identified.

♦ **ASEAN on target** - On 13 November, 24 officials from ten ministries and departments graduated from a training course in preparation for Cambodia's full membership into ASEAN. UNDP sponsored the four-month course to assist Cambodia in facilitating its integration into ASEAN. Cambodia received observer status last July and will apply for full membership of ASEAN soon.

♦ **Tax hike** - On 15 November, Cambodian Airport Management Services doubled the overseas departure taxes at Pochentong Airport to US\$20. The company, which manages Phnom Penh Airport also raised the fee for domestic departure.

LAOS

Insurgency threat

On 16 November, the *Far Eastern Economic Review* reported that in late October, the Lao military discovered a Chinese boat docked at Xieng Kok, on the Mekong River opposite Burma, loaded with 50 tons of explosives. The shipment, worth US\$10 million and reportedly paid for by a group of Thai private citizens, was destined for Lao insurgents who intended to disrupt the 2 December celebrations marking the 20th anniversary of the founding of the Lao People's Democratic Republic. Strict security measures in the area have been imposed.



US POLICY

Pentagon reports on numbers. . .

On 13 November, the Department of Defense (DOD) released a report on its comprehensive review of MIA cases, which was mandated by the 1995 National Defense Authorization Act [see *Digest*, 23 Feb]. The report, titled *A Zero-Based Comprehensive Review of Cases Involving Unaccounted for Americans in Southeast Asia*, provides results of its analytical study of 2202 cases, the number of missing on 21 July, the date the review was completed. The review distinguishes the types of action for each case: there are 1476 cases for which the DOD has specific next steps to pursue the investigative process, 159 cases "deferred," where the DOD has exhausted all current leads, and 567 cases which are classified as "no further pursuit," where the DOD has judged that no actions by any government will result in the recovery of remains. A Pentagon spokeswoman noted that 32 cases have been resolved since 21 July, bringing the number of active cases down to 1444. The year-long study was conducted by 58 analysts of the DOD's POW/MIA office in Washington, who independently reviewed all cases and then shared their views.

. . . while Congress still feels listless

On 14 November, the Military Personnel Subcommittee of the US House of Representatives National Security Committee held a hearing [see *Digest*, 10 Nov], with the primary subject being the results of the comprehensive review of MIA cases by the Department of Defense. Those testifying included two former government officials who

worked on the MIA issue, Richard Childress and Carl Ford, and Ann Mills-Griffiths, executive director of the National League of Families. Subcommittee Chairman Robert Dornan (R-CA) and the witnesses were not satisfied with the report, charging the DOD with refusing to provide the analytical results of their review. Also scheduled to testify were Deputy Assistant Secretary of Defense James Wold and analysts who conducted the review. However, the analysts were deemed "non-essential personnel" during the current government shut-down over the budget impasse. Dornan declined to hear the testimony of Wold without the analysts, and said he would ask to subpoena the analysts to testify before the upcoming presidential MIA delegation to Southeast Asia. Dornan also said he will subpoena the original and complete analysts' case-by-case assessment.

FYI

Kennedy awards

Two imprisoned critics of the Vietnamese government have been awarded the 1995 Robert F Kennedy Human Rights Awards. Professor Doan Viet Hoat and Dr. Nguyen Dan Que have both been vocal critics of government leadership and are imprisoned on separate charges of attempting to overthrow the government. At the award ceremony, Kerry Kennedy Cuomo, founder of the RFK Memorial Center for Human Rights, urged the US government and US businesses to push for an end to political detentions in Vietnam. "There would be no better starting place than to request the Vietnamese government to release Professor Hoat and Dr. Que," Cuomo said.

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#3,777