



# Indochina Digest

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## TRADE/INVESTMENT

### More highway #1 awards

On 21 November, Vietnam named six construction companies that will rebuild sections of Highway Number One. The Chinese Overseas Engineering Corp (COVEC) and South Korea's Kuk Dong Engineering & Construction Ltd will build the section of the highway stretching 280 kilometers south of Hanoi. Taiwan's BES Engineering will build the 152-kilometer section between HCMC and Cantho. Another 435-kilometer section between HCMC and Nha Trang was awarded to three Vietnamese-South Korean joint ventures: Vietnam's Construction Corp Eight and Korea's YouOne-Anam, Vietnam's Water Resource Management Co Four and Korea's Keangnam Co, and Vietnamese Construction Corp Five and Korea's Shinsung Co. The work is being funded with US\$300 million in credits from the World Bank and the Asian Development Bank. Vietnam announced awards to five other foreign companies for sections of the highway last week [see *Digest*, 17 Nov].

### Vietnam complex updates

◆ **Hotel complex** - On 21 November, Hong Kong and Shanghai Hotels Ltd announced it was granted a 40-year investment license for a joint venture with Giang Vo Hotel to build a US\$103 million development project in Hanoi. The project, located on Giang Vo lake in Ba Dinh district, will include a 400-room hotel, a 165-apartment residential complex, and retail stores.

◆ **Industrial complex** - On 19 November, Japan's *Nihon Keizai Shimbun* reported that Sumitomo Corp plans to invest 10 billion yen (US\$98 million) to build an industrial complex near Hanoi. The three million square meter area, to be leased from the Vietnamese government under a 30 to 35 year contract, will accommodate 60 to 80 firms. Sumitomo plans to sign an agreement for the project before the end of the year.

### Vietnam updates

◆ **Steel** - On 17 November, a spokesman for South Korea's Daewoo Corp announced that Daewoo will lead a consortium planning to invest one trillion won (US\$ ) for a steel mill in Vietnam with a two million ton capacity. Other members of the consortium will include South Korea's Pohang Iron and Steel Co and the Vietnam Steel Corp.

◆ **Car mats** - on 19 November, Japan's Eidai Kako Co Ltd announced that it will establish a production base in Vietnam, with a plant capable of producing 150,000 sets of car mats and 500 tons of pressed plastic products annually. One partner for the S\$1.5 million plant is Japan's Marubeni Corp. Production is expected to begin in June 1996.

◆ **Cement** - On 19 November, Deutsche Morgan Grenfell (DMG) announced that its British unit Morgan Grenfell & Co Lt signed a US\$160 million loan agreement with Vietnam's Ninh Binh Cement Co to build a cement plant in Ninh Binh province with a 4000 ton per day capacity. The loan, backed by Britain's Export Credits Guarantee Department (ECGD), will help finance a contract with KHD Great Britain Ltd for the design, construction, and commissioning of the plant. KHD is a unit of Germany's Klockner-Humboldt-Deutz AG.

◆ **More rice exports** - Deputy Prime Minister Pham van Khai recently authorized the export of 2.15 million tons of rice for 1995, and increase of 150,000 tons over than the 2 million tons originally planned. Vietnam is the fourth largest exporter of rice in the world, following Thailand, the US, and India.

◆ **LCD is AOK on CACC in HCMC** - On 14 November, LCD Development Ltd announced that its subsidiary, LCD (Vietnam) Pte Ltd signed an additional contract with the Union of Sericulture Enterprises of Vietnam for a joint venture to develop and operate Cityview Apartments and Commercial Center (CACC) in HCMC. The contract calls for the renovation of a five story, US\$1.9 million office building. With this addition, LCD has received approval to raise its invested and legal capital in CACC to US\$17 million and US\$8.9 million respectively.

◆ **Loans found** - On 24 November, Taiwan's Central Trading and Development Corp announced that it signed a seven-year US\$170 million syndicated loan to finance its projects in Vietnam, including the completion of the Hiep Phuoc Power Co and the Saigon South Development Project [see *Digest*, 10 Nov]. The loan was lead by First Commercial Bank, and included ten Taiwanese banks.

◆ **Sugar deal** - On 24 November, Australia's Evans Deakin Industries Ltd announced the signing of a A\$7 million contract with Taiwan Cement Corp to supply sugar can handling and milling equipment for a sugar mill in Vietnam. Installation of the equipment will be completed by July 1996.

◆ **Oil terminal** - On 24 November, Saigon Petro announced that it plans to build a US\$26 million oil terminal in Ba Ria-Vung Tau. The terminal will be capable of receiving tankers between 50,000 and 100,000 tons when the project is completed in 1997.

◆ **Footwear** - On 23 November, Taiwan's Pou Chen Industry announced that it will invest US\$50 million to establish eight production lines to manufacture Nike sneakers in Vietnam. The production lines, to be completed in 1997, will be capable of producing 400,000 pairs of shoes per month.

**VIETNAM****Shaking its bonds**

Vietnam will soon test its credit rating with an international bond issue of several hundred million dollars, a Vietnamese banker announced on 21 November. The issue is expected to be somewhere in the neighborhood of US\$100 to US\$300 million, the capital thereby raised to be used to fund a number of infrastructure projects. Vietnam will be using the bond issue to test its credit rating. Despite its long-term growth projections, the outcome of the issue is still very much in doubt, according to international investment officials. One of the major problems it faces is that this will be the first test of its rating after it defaulted on loans made by the London Club in the 1970s. To ward off any doubts about its ability to make good on the bonds, the government has said that it intends to pay this bill, which is estimated at between US\$700 million and US\$800 million. One Hanoi official said that he expected that the outstanding debt would be repaid "within the next several weeks."

**Second hand ban**

On 20 November, Vietnam announced a ban on the import of second-hand equipment and spare parts for industries, under a decree signed by Minister for Science, Technology, and Environment Dang Huu. Industries specifically targeted include energy and power, cement, metallurgy, and the manufacturing of basic chemicals, food, and pharmaceuticals. Equipment for other industries is banned if older than 10 years and originating from a Group of Seven (G7) country, or older than eight years if originated from a non-G7 country.

**Spratly progress**

Although border talks between China and Vietnam on 13-15 November failed to any major breakthroughs on the South China (Eastern) Sea dispute [see *Digest*, 17 Nov], the two countries did agree to resolve their disputes through negotiations based on international law, including the 1982 Law of the Sea. A Chinese diplomat said China is striving to settle the dispute "through bilateral talks and consultations in keeping with the universally accepted norms of international law and in accordance with international conventions." According to Tran Cong Truc, chairman of Vietnam's Committee on Frontier Issues, there has been significant progress in resolving land border disputes, and key railway links are expected to reopen soon. However, Truc said that the maritime disputes are inherently more difficult to resolve.

**World Bank loan**

On 22 November, the World Bank announced a US\$49 million loan to help Vietnam's banking system. The project will establish a national inter-bank payment clearing and settlement system, including services such as paper checks and electronic payment orders. It will also review modernization needs and design appropriate customer accounting systems.

**A bridge too far?**

Australia and Vietnam announced 15 November that they have agreed to spend US\$60 million building Vietnam's first bridge across the Mekong River. The .9 mile (1.4 km) bridge at My Thuan will begin construction in 1997 and is slated to be completed by the year 2000. Australia, which has already funded the construction of the Friendship Bridge in Laos [see *Digest*, 29 Apr 94], will contribute up to US\$40 million to the project, making this Australia's largest aid project ever. Australian aid officials say that the bridge is Vietnam's highest infrastructure priority.

However, members of Australia's conservative opposition have called the expenditure "inappropriate" and have promised to review it if they come to power. The opposition currently leads public opinion polls for elections scheduled for next May. An opposition spokesman added, "The coalition will review the My Thuan project once in government, but we will not breach any contracts into which the Labor government has entered."

**ASEAN updates**

◆ **Tariff cuts announced** - The Vietnam government has submitted its first package of tariff cuts to ASEAN. The tariff cuts are in line with a schedule made under the Comprehensive Effective Preferential Tariff agreement of the ASEAN Free Trade Area, which comes into effect on 1 January. The ministry did not announce which commodities would be effected by the new tariff package. ASEAN is working towards establishing a Southeast Asian free trade area by the year 2003. The tariff cut schedule was presented in Osaka by Finance Minister Le Van Triet.

◆ **ASCOPE invitation** - On 24 November, the ASEAN Council of Petroleum (ASCOPE), during its annual meeting in Singapore, announced that it would extend an invitation for Vietnam to join, and sign its ASEAN Petroleum Security Agreement. ASCOPE, which celebrated its 20th anniversary on 15 October, helps its members enhance the security of oil supplies in the region.

**International relations**

◆ **Muoi to Beijing** - Do Muoi, Secretary General of the Communist Party, will pay a goodwill visit to China on 26 November to 2 December, at the invitation of Jiang Zemin, Secretary General of China's Communist Party.

◆ **Anh to Manila** - President Le Duc Anh will visit the Philippines on 29 November to 2 December for a visit designed to promote economic ties.

◆ **Te to Baghdad** - Minister of Finance Ho Te began a visit to Iraq on 19 November. Te discussed economic and commercial cooperation with Iraq's Trade Minister Mohammed Mehdi Saleh. Vietnam took part in an international trade fair in Baghdad, and is Iraq's main supplier of rice.

◆ **Swedish aid** - On 24 November, Sweden announced that it would give Vietnam US\$65 million in financial aid during the years 1995-1997. The agreement follows a "framework accord on conditions for cooperation and development" signed by Prime Minister Vo van Kiet during his visit to Sweden in June.



◆ **New Zealand opens embassy** - New Zealand Prime Minister Jim Bolger traveled to Vietnam at the end of November to officially open New Zealand's embassy in Hanoi. Bolger said that he hoped that the embassy opening would lead to increase economic ties between the two countries, which were antagonists during the American war in Vietnam. "We now see our future as inextricably linked with that of East Asia and with the members of ASEAN in particular," Bolger said.

◆ **German accords** - During the visit of German Chancellor Helmut Kohl [see *Digest*, 17 Nov], Germany and Vietnam signed several economic accords, including an agreement preventing double-taxation. On 17 November, Prime Minister Vo van Kiet issued a decree that Vietnam will not allow illegal Vietnamese emigres to be returned against their will unless it received international aid to assist with their re-entry. An official at the German embassy said that there were some problems in meeting targets of repatriating Vietnamese from Germany, but said that the main snag was not problems in Vietnam but legal hurdles in Germany. During a three-day visit to Singapore following Vietnam, Kohl said that Europe should not be condescending to China and Vietnam simply because they were less prosperous, adding that the two countries must push for increased economic and human rights reforms.

**CAMBODIA****Sirivudh Arrest Sparks Crisis**

Prince Norodom Sirivudh, the half-brother of King Sihanouk was charged, arrested and jailed on Nov. 21 on suspicion of plotting the assassination of Second Premier Hun Sen. The action came within hours of a unanimous parliamentary vote stripping him of his immunity from prosecution. The vote paved the way for the prince's arrest, after he had spent two days hours under house arrest at his residence in Phnom Penh. According to the charges, Sirivudh planned to shoot Hun Sen at the king's palace. Sirivudh categorically denied the charges: "I am not guilty, I have not planned to kill anyone," he said. He added, "This is a political trial - I'm not being tried for criminal actions, I'm being tried for ideas."

Sirivudh's arrest follows within one week the report of rumors of a high-level plot aimed at the government. Following the reports, Sirivudh said that he had learned that unidentified parties planned to attack the Second Premier while he traveled through the capital city and that he, Sirivudh, was working to uncover the plotters. Following those reports, the government allegedly received a tape of conversations on the plot that included the voice that government officials identified as belonging to Prince Sirivudh. When the tape was made available to the Interior Ministry, Hun Sen ordered tanks and troop carriers to surround his house and ordered increased security throughout the capital. The tape was then reportedly made available to King Sihanouk, who also identified one of the plotter's voices as belonging to Sirivudh. Cambodian Foreign Minister Ung Huot also identified Norodom Sirivudh as one of the plotters: "I know Prince Sirivudh very well," he said, "clearly it was his voice who said that he wanted to shoot [Hun Sen]."

The Cambodian government will now have six months in which to prove their case against the prince, according to government prosecutor Yet Chakriya. The prince's French wife said that she was preparing her husband's defense. If convicted, Sirivudh could face twenty years in prison.

**FUNCINPEC in disarray**

The arrest of Prince Norodom Sirivudh follows on reports that his FUNCINPEC party is riven by dissension and increasing loss of influence. Its leaders, Sirivudh and former government minister Sam Rainsy, have been removed from the nation's most influential positions, and its impact on the political establishment has been seriously diminished. FUNCINPEC leaders, meanwhile, decry the government's arrest of Sirivudh, calling it "patently absurd political theatre."

The eclipse of FUNCINPEC leaves a new party formed by former finance minister Sam Rainsy, who criticized the government for corruption and was fired from his position in the government, as the primary political opposition in the country. But Rainsy's party was declared illegal in early November. Now, it appears, the government has reversed its position, apparently in response to the widespread perception that the government made the declaration prematurely. "Sam Rainsy's party is not illegal, not illegal. They just did not fulfill all the legal requirements that need to be done in any country," Foreign Minister Ung Huot said on 21 November -- the day of Sirivudh's arrest.

**Huot down under**

On 19 November, Cambodian Minister of Foreign Affairs and International Cooperation Ung Huot began a week-long official visit to Australia. During the visit, Huot said that his government will investigate allegations that the Cambodian navy is involved in drug trafficking. The allegations first appeared two weeks ago in an issue of *the Far Eastern Economic Review*, which reported that navy vessels were being used to transport drugs and that naval officers were involved in criminal syndicates. Huot said that he took the allegations seriously, but said that the government was unaware of the illegal activities. Australia supplies nearly \$US2.25 million in aid to assist Cambodia's armed forces - including funds to help for mine clearance, language training, communications, and administration. "We will certainly be looking into the matter and investigating further," Australian Defense Minister Robert Ray said.

**China cooperation**

China and Cambodia will increase their efforts to boost business links between the two nations, China's Deputy Trade Minister said after concluding a five-day official visit to Phnom Penh. The deputy trade minister, Li Guo Hua, hailed the trip as a "success," and said that China had signed an agreement to provide a grant of approximately US\$10 million to the Phnom Penh government. The funds will be used to underwrite irrigation and infrastructure projects in Cambodia, as well as the repair of a vital Phnom Penh ring road named for Chinese leader Mao Tse Tung. "So far we have 50 companies from China doing business and investment in Cambodia and we hope that more will be coming," Cambodian Commerce Minister Cham Prasidh said at the end of Li's visit.

**LAOS****Economic growth**

On 24 November, the *Vientiane Times* reported that government figures, released by Minister of Finance Xaysomphone Phomvihane, show a economic growth rate of 8.1% this year, with per capita income increasing to US\$350 to US\$360. Noting that the growth rate places Laos among the fastest growing economies in the world, Phomvihane cautioned that Laos still faces many adjustment problems in restructuring its economy to market-oriented forces, including infrastructure development, a limited capacity for investment and domestic savings, a shortage of foreign currencies, and a lack of appropriate regulations.

**Japanese aid**

On 20 November, Japan announced that it plans to resume loan assistance to Laos next year, after a 20-year hiatus. The first loan package will assist with the Nam Luk hydropower plant, northeast of Vientiane. Japan will provide 40% of the total cost of the US\$117 million project, with the Asian Development contributing another 40%, and the Lao government the remaining 20%.

**REGION****Mekong money**

On 20-22 November, the Mekong River Commission (MRC) met in HCMC to establish a formal framework to meet with donor nations, and to seeking funding for projects worth

US\$232.32 million in the Mekong Region [see *Digest*, 3 Nov]. The MRC is comprised of Cambodia, Laos, Thailand, and Vietnam, while Burma and China are seeking participation. According to UN Development Program representative Jordan Ryan, much of the funding sought has been pledged by 17 foreign donor countries and agencies. "A total of US\$73.85 million was secured before the meeting began and I would say a good proportion of the rest of it is now likely to be raised," Ryan told *Reuters News Agency*.

**APEC apex**

The heads of 18 Pacific and Asian nations recently concluded a meeting of the Asia-Pacific Economic Forum in Osaka, Japan by pledging renewed economic cooperation at the same time that they said they had no plans to turn APEC into a new security organization – along the lines of NATO. The organization, which as formed to facilitate and coordinate economic development and trade among some of the world's largest economies. But there are inherent problems in expanding its mission to include regional security – not the least of which is the prominent membership of Taiwan and China, two old antagonists. "Once you start mixing up the agenda with political and security issues you run into all sorts of difficulty in keeping the organisational coherence maintained," Australian Foreign Minister Gareth Evans said. Instead, the participants discussed a broad range of topics, including how best to liberalize trade arrangement among forum members. Focusing on such issues means that the region's more intransigent and long-term security issues, such as control of the Spratly Islands, will be handled in a different environment. The US was represented at the forum by Vice President Al Gore, who stood-in for Bill Clinton during the recent American budget impasse.

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