



Indochina

Digest

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TRADE/INVESTMENT

Credit laws

Vietnam will reform its credit and land laws to stimulate investment, an official of the state bank said on 24 November. The reform will come as a series of new regulations allowing foreign companies to mortgage Vietnamese properties to raise money. Foreign business leaders greeted the news as "a significant step forward in Vietnam's move to a full market economy." Foreign firms say that financing is one of the biggest problems in Vietnam, since all land is owned by the state, although individuals and firms are allowed to sign long-term leases. Vietnamese can use these leases to raise money but foreigners have never had this right. Under the reforms, foreigners will be able to more easily structure financial packages. The reforms will free new sources of capital inside the country itself.

Vietnam market: "bearish"

Reports that Vietnam would open its first stock market in 1996 have been greatly exaggerated, regardless of Vietnamese statements to the contrary, Western investors are saying. "There's no way they're going to get a stock market as soon as they think," a major Western banker in Hanoi told *Reuters News Agency*. The same official blamed the press for contributing to a boom mentality that is driving the nation into plans for new investment techniques more quickly than is necessary. "It's as if this country could do no wrong," a Western business analyst said, "but who's writing about all the problems?"

Dr. Vu Bang, acting director of the capital market board of the State Bank of Vietnam, agrees that his country is not yet ready to establish a stock market: "At present we're not setting a schedule," he said. "The first thing that we have to do is set-up a securities commission. It will take one-and-a-half years after that's established before a stock market is up and running." Vu Bang, however, admitted that the securities commission will be established "soon."

Seed money

Vietnam will need upwards of US\$42 billion in infrastructure money between now and the end of the century for the nation to carry out its key economic projects, a senior government official told *Reuters News Agency* 30 November. Vietnam's Vice Minister for Planning and Investment, Vo Hong Phuc, said that the funding would have to come from foreign investors and donors, and would be used for industrial and infrastructure development. The

money would be put into Vietnam's next five year plan, which is set to begin in 1996. While Vietnam is a "hot topic" in international economic circles and is gaining the attention of foreign investors, it would still need forty years of six percent annual growth rates to reach the level that Malaysia attained in 1993. Increased production and trade is hampered by a lack of foreign capital investments, Vietnamese government officials say. Vo's statement was made two days ahead of an international donors conference in Paris at which Hanoi hopes to raise US\$2.06 billion.

Coffee competition

Vietnam, Asia's second largest producer of coffee, is now competing effectively with the continent's largest producer, Indonesia, according to an official of the Nestle company. Gordon Gillett, senior vice-president of Nestle, said that his company was "very pleased" with Vietnam's coffee production, and would seek out new production areas outside of Indonesia. Vietnam is a serious competitor in the world market because it is not a member of the Association of Coffee Producing Countries - an OPEC-like organization that is currently attempting to curb over-production and exports. The latest figures on coffee production from Vietnam show that coffee output is up 20,000 tons over the last two years, with 200,000 tons expected to be produced this year. Vietnam estimates that its production will reach 240,000 tons by the year 2005.

Vietnam Updates

◆ US phones - On 27 November, the *Vietnam Investment Review* reported that the Electronic and Telecommunications Equipment Co., which is under the Ministry of Defense, signed a US\$20 million joint venture agreement with the US firm Newtel Technologies Ltd to produce telephones, facsimile machines, and compact discs. The venture will establish a factory in Ha Tay province. The venture is the first project to be licensed by the new Ministry of Planning and Investment under the recent government reorganization [see *Digest*, 27 Oct].

◆ Dutch water - On 30 November, the *Vietnam News* reported that construction has begun on a US\$5.5 million water facility at Dong Thap. The project is sponsored by the Dutch government, and will use the Dutch firm Vermeer. The first phase of the project (six months) includes research on subterranean water supplies, drilling four wells, and constructing two water towers with the capacity to hold 500 cubic meters of water. The second phase (12 months) will include the construction of the water treatment areas, and training of staff.



♦ Italian granite - On 1 December, the *Vietnam News* reported that construction has begun on a US\$10 million granite facing tile factory by the Thach Ban company at Gia Lam. US\$7 million of the total investment will be used to import technology and equipment from Italy's Nasseti. The factory is expected to be put into operation in 12 months.

♦ Inflation stats - According to statistics released on 25 November, Vietnam's inflation rate fell to 13.8%, below the government's target level of 14%. The economy experienced soaring inflation during the first half of 1995, due to large increases in the price of rice and construction materials. However, growth in manufacturing and increased imports brought cement prices down, while large shipments of rice from the Mekong Delta stabilized prices in the northern provinces. In the November 25 release, inflation in Hanoi was reported at 17.4% while for Ho Chi Minh City the figure was 12.5%. As the country's growth rate is expected to continue at an average of 9% a year, the government anticipates that inflation will remain in the double digits.

Dam news in the central highlands

♦ Song Hinh - On 23 November, Vietnam began construction of a US\$120.5 million hydroelectric dam and irrigation system at Song Hinh in the central highlands. The Swedish firm Asia Brown Boveri AG (ABB) has a US\$37.5 million contract to supply two 35 MW turbines for the power plant. The project will take three years to complete. ABB helped to organize a US\$51.5 million soft loan for the project. The remaining US\$70 million is expected to be raised by the Vietnamese power sector.

♦ Yaly - On 27 November, the *Vietnam Investment Review* reported that the dam on the Sesan river is expected to be completed by the end of December. The dam is part of US\$640 million hydroelectric project which began in 1993, and is expected to be completed by 2000, with the first generator group coming on line in 1998.

Cambodia updates

♦ German Banking interest - On 13 November, Berthold Kolberg, manager of Frankfurt office of Germany's Dresdner Bank AD, said that the bank is interested in opening an office in Phnom Penh. The announcement followed a 10-day fact-finding mission.

♦ German rubber interest - On 13 November, Hans Peter Berger, general manager of the rubber department of Germany's Nordmann, Rassmann GMBH and Co (NRC), said that the company was negotiating an investment agreement in the rubber industry with Cambodia. NRC imports about 70,000 tons of rubber and latex annually.

♦ Chinese railway - On 24 November, the China Shipbuilding Trading Co announced that it was awarded a US\$870,000 contract to supply materials and equipment to upgrade Cambodia's railways. The contract will be funded by an Asian Development Bank loan.

♦ Taiwan electronics - On 22 November, Taiwan's Tatung Co Ltd announced that it is planning to build a wood-processing factory in Cambodia.

High wattage

US-based Beacon Hill Associates, Inc announced that it is investigating the possibility of investing in building a power plant in Cambodia. The company held talks recently with the state utility, Electricite du Cambodge, and the United Nations Development Programme. The firm has asked the Overseas Private Investment Corporation for risk insurance and loan guarantees. Beacon Hill expects the power plant proposal to be approved sometime next year. The Beacon Hill announcement followed the disclosure that the US firm, Westing-house Industrial Services Asia, has signed an agreement with the Phnom Penh-based Power Investment Group Co to bid on construction of a provincial power plant.

VIETNAM

International Relations

♦ Improved relations -- Vietnam's Communist Party General Secretary Do Muoi is in China for seven days on an official visit, where he will meet with his Chinese counterpart, Jiang Zemin. The journey is part of a plan by the two nations to slowly improve relations, following their military confrontation at the end of the 1970s. China and Vietnam only agreed to normalize diplomatic relations in 1991, but the process of turning down the heat on a number of long-simmering issues has often proved difficult. The two governments remained nearly silent on the prospects for Do Muoi's visit, stating only that they intend to work to strengthen "the unity and cohesion of the Communist parties of Socialist countries in the current international situation." The "current international situation" includes Vietnam's insistence on maintaining increasingly cordial relations with the US, its new membership in ASEAN, and the Chinese-Vietnamese disagreement over control of the Spratly islands.

Fulbright Center

On 11 November, Vietnam inaugurated the Fulbright Learning Center, associated with the HCMC University of Economics, to train students in finance, economics, business management, and urban and rural development. The center was established under an agreement between the Ministry of Education, the Harvard Institute for International Development, and the American Council of Learned Societies. The center has begun a ten-month course to train 52 teachers and business people in economics.



CAMBODIA

Sirivudh update

The arrest of Cambodian Prince Norodom Sirivudh on charges of plotting to assassinate Second Prime Minister Hun Sen continues to cause consternation in the international community, and tension in the Cambodian government. Sirivudh, the half-brother of King Norodom Sihanouk, was arrested 21 November and has since been held in the Interior Ministry [see *Digest*, 24 Nov]. As his wife continues to marshal support for his release and has begun the task of raising funds for his defense, Amnesty International has announced that it has classified Sirivudh as a "political prisoner." It is essential that "Sirivudh be given immediate access to legal counsel of his own choice, in order to prepare his own defense against the charges he faces," a statement released by the group said.

The London-base human rights group says that procedures leading up to Sirivudh's arrest may have violated both Cambodian and international laws. Sirivudh's wife has told the press that her husband remains in isolation and "cut off from the world completely, they have not even interrogated him over his alleged crime of plotting to destroy the government." The Cambodian government quickly denied the Amnesty report, saying that their actions were justified. "Anything involving murder or violence is, for us, a crime - it's not political," Information Minister Ieng Mouly said.

Hun Sen tearful

In an one hour speech on 25 November, Cambodian Second Prime Minister Hun Sen said that he remains loyal to the Cambodian royal family, though he still fears assassination. Hun Sen began to cry when he described his continuing loyalty to the royal family: "The connection of a relative of the royal family to a plot to assassinate me has not badly affected [my] support for the monarchy. My message to the Cambodian people is that there are people out there who want to take my life, this problem is continuing."

In a related statement, First Prime Minister Norodom Ranariddh, the president of Sirivudh's FUNCINPEC party said that he was not pressured by Hun Sen to agree to Sirivudh's arrest. "During these unhappy recent events," he said in a statement, "the two prime ministers discussed and agreed on what action would be taken at all times and we also had the full backing of the government." Most recently, however, the royal family is worried that mounting international concerns about the arrest of Sirivudh could endanger Cambodia's ties to the donor nations. "The international community has made it clear [regarding] the arrest of Sirivudh that they fear Cambodia has turned away from democracy or a state of law," a member of the royal family told United Press International.

Good students, eh?

Sixty Cambodian student soldiers have finished a high-intensity period of training in special operations in Australia, the Cambodian government has announced. The Cambodian soldiers spent one month in the Tully camp in northern Queensland, where they were taught how to interdict, disarm, and fight in a jungle environment using the latest counter-insurgency techniques. The soldiers returned to Cambodia 19 November where they will establish a special counter-insurgency school to train other soldiers. The school will be built with Australian funding, as part of that nation's package of non-lethal military aid to the Cambodian government.

Ties upgraded

Hungarian Secretary of State Karoly Attila Soos finished an official visit to Cambodia by announcing that his nation would be increasing its ties to Cambodia in the vital area of trade. The secretary of state was accompanied on his visit by business executives from Hungary. The Hungarian businessmen said that they would like to see trade ties between the two nations increase, and added that Hungary was interested in making investments in rice imports, seed grain production, medicine, and garments. The two nations also discussed Cambodia's debt of \$9 million rubles. The debt problem could be resolved, Soos said, through a debt equity swap arrangement.

HIV up

Between 50,000 and 90,000 people in Cambodia may be HIV positive, according to a report compiled by the World Health Organization released on 28 Nov. The report contradicts earlier estimates that 30,000 Cambodians were HIV positive. Cambodia is said to be at risk for the spread of AIDS because of its proximity to drug production countries and health officials preference for treatment by injection. Three thousand Cambodians are confirmed HIV-positive, but the latest figures show that this number may increase in the years ahead. The spread of HIV in Cambodia is attributed to sexual behavior and the rapid growth of the nation's commercial sex trade.

REGION

The Spratly spat

Philippine President Fidel Ramos said that his nation could not be "fully at ease" with its diplomatic ties to China and must exercise "constant vigilance" in defending its claims to the Spratly islands. Ramos's statement seems to violate the spirit of an agreement between Vietnam, China, and the Philippines that each country will show restraint in referring to the Spratly conflict, and seek to negotiate a solution to the



problem. Ramos made his statement after a Philippine government national security council meeting. Following the Ramos statement, Australian Defense Minister Robert Ray acknowledged that the dispute over the oil-rich island chain poses the most major threat to regional stability. He praised Indonesia's most recent efforts at mediation of the dispute. Ray attributed the trouble over the Spratlys to its oil deposits and said that it would be difficult for other claimants to accept China's claim to the island group.

Code of conduct

In the wake of Ramos's statement, Vietnam and the Philippines called for an expanded "code of conduct" on the Spratlys that would include China. The call for the code endorses the call for self-restraint and the non-use of force in the Spratlys. The statement on the code came during the visit of Vietnam President Le Duc Anh to Manila, during which he met with Ramos on the Spratlys issue for 90 minutes. Anh and Ramos expressed hope that bilateral activities between Vietnam and the Philippines on the Spratly issue would increase and that peaceful means could be found to resolve the issue. The meeting at the Malacanang presidential palace was followed by the signing of agreements on trade, science and technology cooperation, avoidance of double taxation, and increased cultural ties.

Berth pangs

East Asian ports will need to be upgraded, with hundreds of millions of dollars poured into infrastructure and new services if the region is to cope with the rising shipping

demands of the next twenty years, the chairman of Singapore's parliamentary communications committee recently stated. Investments are needed in building and operating new berths, purchasing new cargo handling equipment, increasing container storage capacity, and providing training in new information technologies, Singapore's Heng Chiang Meng said at the opening of a three-day ASEAN Port Authorities Association meeting. ASEAN is currently taking steps to meet its goal of creating free trade among all of its members by the year 2020.

APEC conclusion

Attendees at the Asia-Pacific Economic Cooperation forum have praised the results of the recent Osaka meeting, saying that the summit was "a huge step forward" in moving towards making East Asia a free trade zone and liberalizing trade and region-wide investment policies. The 18 nation member group has said that liberalizing trade restrictions region-wide could lead to an increase in aggregate regional incomes of upwards of US\$745 billion. The group was also urged to approve membership for two new nations - India and Vietnam. Action on that request is expected to come in the Philippines in 1996. The leaders of various nations at the conference also pledged that the move to liberalize trade will undoubtedly accelerate over the next decade and that a variety of regional economic sectors would be opened up to 100 percent foreign ownership within the next two decades. APEC leaders pledged that the member nations would "provide more incentives and investment guarantees, cut tariffs and offer foreign investors longer-term property ownership and leases."

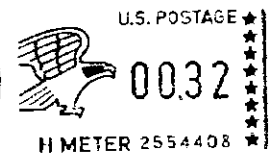
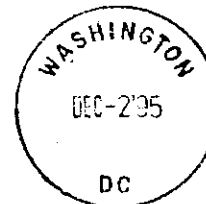
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