



# Indochina

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## Digest

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### TRADE/INVESTMENT

#### Vietnam refinery shares finalized

After last week's announcement of replacements for France's Total in Vietnam's proposed first oil refinery [see *Digest*, 5 Jan], PetroVietnam has established each company's stake in the project. New partners LG Group of France, Petronas of Malaysia and Conoco of the US will receive 30 percent, 15 percent and 15 percent stakes in the US\$1.5 billion refinery, respectively. PetroVietnam will hold a 30 percent stake, and Taiwan's Chinese Petroleum Corp (CPP) and Chinese Investment Development Corp (CIDC) will split the remaining 10 percent. The decision was made on 9 January by company representatives who will meet in Hanoi next week to continue with a feasibility study for the refinery. Originally, CPC planned to hold a 30 percent stake in the refinery, and CIDC planned to hold 10 percent. Earlier in the week, a CPC spokesman stated, "Due to continuous delays on the project and the Vietnamese side's frequent changes on plant location, CPC is considering lowering the stake in the venture, but we definitely will not pull out."

#### Eureka!

On 9 January, Mitsubishi Oil Co Ltd announced that an appraisal well in offshore block 15-2 near Vung Tau had successfully flowed oil. The well, Rang Dong-2, flowed at a rate of approximately 7150 barrels per day of crude oil. Block 15-2, in which Mitsubishi has also drilled two successful exploratory wells, is equally owned by Mitsubishi and Japan National Oil Corp.

#### Updates

◆ **Mino** - Japan's Mino Group has been awarded a license to construct a US\$105 million aluminum factory in southern Vietnam. The plant, which will be operated by Mino Vietnam Co Ltd, plans to begin production in 1999. In its first year, it will produce 7000 tons of aluminum rods, 7000 tons of aluminum bars and 70,000 aluminum frames.

◆ **Great ice-pectations** - On 10 January, South Korea's Hanil Construction Co announced that it will partner with Vietnam's Phu Tho Tourist Company to build an amusement complex in HCMC. The US\$60 million project will be built in Dam Sen Cultural Park and will include Vietnam's first ice skating rink. Phu Tho Tourist Company will provide the land and will be a 30 percent share holder in the project. The partners hope for a business license to be issued in May or June.

◆ **Kuhmo** - South Korea's Kuhmo Construction and Engineering Inc announced on 13 January that it has signed a US\$209 million joint venture agreement to build office and residential buildings in HCMC. Saigon Tourist and Housing Development Service will hold a 35 percent stake, while Kuhmo will control the remaining 65 percent. Kuhmo will have the right to operate the buildings, which include a hotel, an office tower and apartments, for the next 45 years. Construction will begin next year and will be completed by the end of 1999.

◆ **Vietnam knows shared risk** - Great Britain's Commercial Union Assurance Co Plc and Japan's Tokio Marine and Fire Insurance Co Ltd have received the Finance Ministry's approval to join Vietnam's Bao Viet in Vietnam's first joint-venture insurance company. Vietnam International Assurance Co will be headquartered in HCMC and will have paid-up capital of US\$6 million. Bao Viet will control 51 percent of the venture, with the foreign firms dividing the remaining 49 percent.

◆ **Piece of the action** - Kvaerner Turbin AB, a unit of Kvaerner Energy, has been contracted by ABB Generation to deliver electro-mechanical equipment for the Song Hinh hydroelectric power station. Kvaerner will deliver two turbines to Vietnamese Power Company No 3 at a cost of approximately US\$35 million. The project is partially funded by international aid programs.

◆ **Food processing** - Nichimen Corp and Daiichi Chinmi Kabushiku Kaisha, both of Japan, announced 10 January that they will create a frozen seafood processing company in Danang. D&N Foods Processing Corp will be capitalized at US\$3 million. 51 percent of the company will be owned by Daiichi and 49 percent by Nichimen. The venture will make processed fish paste and other processed products, which will be sold in Vietnam and exported primarily to Japan. Commercial production will begin in October, with sales estimated at US\$4 million in the first year.

◆ **Resources Development** - Resources Development Corp Ltd announced on 9 January that its subsidiary, RDC (Vietnam) Pte Ltd, has agreed to purchase Collingway Offshore Ltd's minority stake in HCMC's Norfolk Hotel. For US\$3.74 million, the company purchased a 61.7 percent stake in a holding company which owns 60 percent of the Norfolk Hotel Co Ltd.

◆ **Scotiabank** - Canada's Bank of Nova Scotia (Scotiabank) has received approval from the State Bank of Vietnam to open a representative office in Hanoi. Scotiabank, which is the first Canadian bank to open an office in Vietnam, expects to begin operations there in the next two months.



## Laos powers up

Electricite du Laos, Thailand's Loxley Plc and South Korea's Daewoo Corp have announced that they will jointly invest in a hydroelectric power station in southern Laos. The station, which will generate 150 megawatts of power from Houay Ho dam near Champassak province, will cost approximately US\$200 million. Daewoo will hold a 60 percent stake, while Loxley and Electricite du Laos will hold 20 percent each. The station is scheduled to be completed in mid 1998. The joint venture agreement will be signed 15 January.

## VIETNAM

### GS speaks

On 10 January, *Hanoi Moi* newspaper reported that Communist Party General Secretary Do Muoi has called for a strengthening of controls over foreign ventures at the eighth Communist Party congress next June. Speaking during a recent tour of northern provinces, he told local officials: "The issue of joint-ventures between state enterprises and foreign private capitalists has not been paid due attention." He added, "As Lenin taught, we are not afraid of capitalist enterprises, but of not being able to supervise and control them." He stated that the upcoming party congress will seek to reorient attitudes toward the country's expanding economy.

### Central Committee speaks

The official army newspaper, *Quan Doi Nhan Dan*, ran a report last week outlining a massive campaign aimed at praising communist achievement, describing it as Vietnam's key ideological task in 1996 in preparation for June's eighth Communist Party Congress. The report quoted a directive from the Central Committee calling for a campaign to stress achievements since economic reforms were introduced and "to make clear our country's socialist orientation." The report went on to say: "The propaganda campaign should focus on national sovereignty, independence, self reliance, self effort and gain a political consensus in society as well as strengthening belief in the Party's leadership."

### Ministry speaks

Vietnam's Culture and Information Ministry has issued a directive telling the local press's news directors to ensure balance between domestic and foreign advertising and provide free space to state propaganda. While there is some confusion as to the exact meaning of the directive, ministry officials state that the directive is not a new development, but rather a reassertion of existing regulations. A recent commentary in *Saigon Tiep Thi* newspaper blamed foreign advertising and unfair marketing techniques for undermining domestic products. It also stated that the Vietnamese people were increasingly concerned with "chaos in the advertising market." Newspapers, television and radio are all required to provide free space for propaganda, social campaigns and advertising for social and humanitarian programs.

## PM speaks

On 9 January, provincial leaders began a three-day meeting in HCMC as part of preparations for the eighth Communist Party Congress scheduled for June. Prime Minister Vo van Kiet encouraged the delegates to build up Vietnam's industrial base, telling them, "[1996] is a year that sees the last five year plan of the 20th century and preparation for the next century." He urged local party chiefs to develop industrial zones and improve infrastructure, but he also made it clear that the government considers HCMC to be the commercial hub of the economy.

## Foreign trade policy set

Prime Minister Vo van Kiet has finalized a list of items and quotas for import and export in 1996. The list includes six groups of banned export items: weaponry, ammunition, explosives, military equipment and spare parts, antiques, narcotics, toxic chemicals, wooden raw materials, wildlife and rare flora and fauna. Banned import items include weaponry, explosives, narcotics, toxic chemicals, pornographic, depraved and reactionary cultural products, fire crackers, toys harmful to children's education and detrimental to social and public order and safety, cigarettes, used consumer goods, automobiles and all used wheeled vehicles. Kiet also approved export quotas of rice and garments destined for the European Union, Canada and Norway. Vietnam will export 2 million tons of rice this year, 200,000 tons less than last year. Other export quotas will be announced after negotiations with foreign partners.

## Free the juice

On 10 January, Bui Thuc Khiet, Deputy Director General of Electricity of Vietnam, told the *Vietnam Economic Times* that Vietnam may have to import power in 1996 to resolve shortages. Total power output in 1996 will be 16.4 billion kilowatt hours, one billion less than projected requirements. He said Electricity of Vietnam is "considering buying electricity from foreign countries by letting them start BOT (build, operate and transfer) power projects in Vietnam and sell electricity to us." He added: "Due to the urgent need, we will sign a contract in January so that we could get power from this source by October. Anyway, we might face a shortage of at least 350 million kwh in the first five months." Electricity of Vietnam is proposing that the government issue a decree urging restraint in electricity use and asking power stations to maximize output. It is also seeking government approval for a 12 percent rate increase to prevent losses projected at US\$26 million for 1996.

## Eviction

Vietnam announced 11 January that it plans to move at least 50,000 people from an area in Son La province to make way for a hydroelectric power project. The power plant, expected to begin construction in 1998 and to begin operation in 2007, will produce 17 billion kwh of power a year. Investment capital needed for the project is officially reported to be US\$3.5 billion. Those displaced by the project will be resettled in economic zones 300 miles to the south. The plant's reservoir could displace over 100,000 people.



## Updates

♦ **Ferry sinks** - At least thirty people drowned on 4 January when a ferry sank on the Rac River in the Ha Tinh province. The victims were mostly women and girls on their way to a nearby forest to cut wood for fuel in the early morning. Seventy people survived the accident, the cause of which is still unknown. The ferry's captain fled the scene but later returned and is being held while authorities investigate the accident.

♦ **New AIDS stats** - Vietnam's National AIDS Protection Committee has released new data on AIDS and HIV in Vietnam. HCMC reportedly has 195 cases of AIDS, two-thirds of Vietnam's total. In addition, it is home to 1598 people known to be infected with the HIV virus, nearly one-half of the country's 3375 known cases. The United Nations Development Program has pledged US\$1 million to help fight the disease.

♦ **Traffic light project completed** - Automatic traffic lights have been installed at many of Hanoi's busiest intersections, thanks in part to the French government. The French official development aid (ODA) paid for two-thirds of the US\$2.6 million project. Before the new system's installation, Hanoi had just 30 sets of traffic lights.

♦ **Look up in the sky** - On 7 January, the *Vietnam Investment Review* reported that the government is considering a proposal to increase the number of commercial airports in Vietnam from 16 to 32 over the next 15 years. The government is also planning for extensive upgrades of existing airports. The plan envisions Vietnam's airlines carrying 20 million passengers annually by the year 2010, compared with 2.4 million in 1995.

♦ **Thai visit** - On 10 January, a delegation led by Thai Defense Minister Chavalit Yongchaiyudh began a two day visit to Vietnam. The delegation met with Vietnamese officials, including Defense Minister Doan Khue and President Le Duc Anh to discuss military relations, overlapping territorial waters and joint fishing ventures. Chavalit is also scheduled to visit Laos 26-27 January.

♦ **Write home often** - The *Vietnam News* reported that approximately 2.5 million overseas Vietnamese officially sent US\$700 million home last year. This amount does not include money sent or smuggled in through unofficial, unreported channels.

## CAMBODIA

### EC emergency response

The European Community announced on 10 January that it would provide immediate aid to Cambodia as a response to the floods that hit parts of Cambodia's northwestern provinces in 1995. The aid would come in the form of emergency food aid and shelter worth US\$650,000. The emergency relief will be channeled into the country by the European Community Humanitarian Organization (ECHO).

## New infrastructure bucks

The Cambodian government is establishing a special fund to improve the nation's economic and social infrastructure, it was announced on 11 January. The fund will draw monies from the World Bank and will draw expertise and technical assistance from the staff of the Latin American Social Fund. The fund will have an initial capitalization of US\$20 million, which will be used primarily for the rehabilitation of schools, hospitals, water sources, bridges, and small irrigation projects. The Social Fund of the Kingdom of Cambodia, as it is called, will be a financially and administratively autonomous institution under the presidency of the nation's co-prime ministers.

## Police powers?

On 7 January Cambodian Second Prime Minister Hun Sen warned Societe Generale de Surveillance of Switzerland (SGS) that its contract may be ended unless it stops upsetting businessmen. The warning came ostensibly because SGS was improperly expanding its authority by policing Cambodia's export-import business, when it had only been hired to check on the quality and quantity of imported goods. But the original contract between the firm and the Cambodian government, which was signed in September, also requires the company to monitor whether appropriate taxes and duties are being paid. Hun Sen warned that he would give the government finance minister three weeks to solve the problem.

## Pol Pot celebration

The government diligently organized a celebration commemorating the fall of Pol Pot, setting aside 7 January as a national holiday. A rally was held in Phnom Penh to commemorate the event, though foreign press reports indicated that the crowd seemed to be subdued, perhaps because the day also marks the beginning of Vietnam's invasion of the country. It was reportedly for this reason that high-ranking members of the royalist FUNCINPEC party failed to attend the rally. "This day celebrates our survival and rescue from the barbarous Pol Pot regime," Second Prime Minister Hun Sen told the rally marking the occasion. But one FUNCINPEC official had a different view: "We respect the day that Pol Pot was ousted," this official said. "This day does not belong to the CPP or any party but to the whole nation. But we can never forget it is also the day of the Vietnamese invasion."

## New fighting

On the day prior to the celebration of the overthrow of Pol Pot, Khmer Rouge irregulars launched their dry season offensive against government forces in the northwestern part of the country on 6 January. The rebels were especially active in Banteay Meanchey Province, according to Cambodian defense department officials. Attacks on government outposts in Battambang Province also caused severe casualties a defense department spokesman said. Cambodian officials admit that the Khmer Rouge are still able to strike effectively in some parts of the country, but that the movement has been harmed over the past twelve months by increased defections.



### Greasing the skids

The Cambodian government is considering setting up a national oil company to develop its offshore petroleum reserves, it was announced on 11 January. "At this moment the government is strongly thinking about initiating a national oil company, but that concept can only take place if we can determine a little bit more accurately about our resources," Industry, Energy and Mine Minister Pou Sothirak told the Reuters News Agency. The minister said that the primary purpose of the company would be to provide the Cambodian government with badly needed revenues. "It [the company] would be a government arm in the strategic sector of oil, gas and energy," Pou Sothirak said. Cambodia is thought to have possible reserves off of its southern coast, though international oil drilling concerns say that they remain unsure whether the oil fields are commercially viable.

### Not at all lethal

Deputy Commander in Chief of the US Pacific Command, Lt. General David Bramlett ended a two day mission to Cambodia on 11 January, saying that the US would continue to provide the Cambodian government with non-lethal military aid. During his time in the country, Bramlett visited the Cambodian Ministry of Defense, where he met with officials to discuss Cambodian government efforts to increase demining activities and to institute military reforms. Bramlett also visited co-Prime Ministers Prince Norodom Ranariddh and Hun Sen. The United States has provided upwards of US\$12 million in non-lethal aid (the most recent figure being for 1994), which includes funds for demining equipment, road construction, and food and medicine.

### Merger

Outspoken opposition leader Sam Rainsy may merge his Khmer Nation Party (KNP) with smaller opposition groups in order to circumvent a government decision not to recognize his party, the former finance minister told Reuters on 9 January. "We have been in touch with a few of the leaders of the parties recognized under the UNTAC [UN Transitional Authority in Cambodia] electoral law and they are ready to join forces with the KNP," Rainsy said. Rainsy has been touring the United States and Europe in an effort to gain support for his opposition views. Rainsy has reportedly been in touch with leaders of six other political parties in an effort to gain their support for his program. Rainsy is the most prominent opposition leader in Cambodia, but has been under pressure by the government to end his activities. He was appointed finance minister in Cambodia's coalition government in 1993, but was sacked as minister after criticizing official corruption. He was expelled from the FUNCINPEC party last year and subsequently expelled from the Cambodian parliament. Rainsy is expected to return to Cambodia in mid-January.

## REFUGEES

### One step forward, one flight back

On 11 January, the office of the UN High Commissioner for Refugees (UNHCR) in Hong Kong announced that 500 Vietnamese boat people have applied for voluntary repatriation this month. The UNHCR is planning repatriation flights for the unusually high number of volunteers in two weeks. Last year, only 1673 boat people returned voluntarily.

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