

The Banking System

by John Brinsden

Until the reforms of 1992, the Vietnamese Constitution provided that banking was a function of Government.

State-owned institutions will continue to exist under new banking legislation. But since 1988, the banking sector in Vietnam has evolved into a multi-sectorial system. It is now possible to take advantage of services offered by joint-stock and private banks, as well as joint-venture and foreign-owned banks.

The following banks currently operate in VN; compared with the pre-1988 banking system, they represent an impressive spread.

State-Owned Banks

Holders of full foreign exchange licenses: the Bank for Foreign Trade of VN (Vietcombank); the Industrial and Commercial Bank of Vietnam (Incombank); the Vietnam Bank for Investment and Development (VID Bank); and the Vietnam Bank of Agriculture (Agribank).

These banks are fairly traditional in their activities and, although they now offer full general commercial banking services, State-owned banks still tend to be associated with their more specialized principal functions.

With regard to foreign commercial transactions, the Vietcombank is the market leaders with 15 foreign-exchange licensed offices throughout the country and an estimated 73% market share in trade finance. In the past, Vietcombank has operated on a 'federal' system, each branch being highly autonomous and even maintaining its own external accounts and correspondent relations. This is now changing as the Vietcombank develops a more centralized treasury function.

Joint-Stock Banks

The following list is not comprehensive, but is representative of those banks holding foreign exchange licenses at the end of November 1993: the Vietnam Export-Import Bank (Eximbank); the Saigon Bank for Industry and Trade (Saigonbank); the Maritime Commercial Stock Bank

Maritimebank); the Asia Commercial Bank (Asiabank); and the Eastern Asia Bank.

Joint-stock banks (that is, banks whose capital is held in the form of shares) are relatively new to VN, dating from the end of 1989. Although individual private shareholders are permitted, these form a small minority at present, with by far the majority of bank shares in the hands of local or national government-owned entities.

Interesting is the recent decision by the State Bank of Vietnam (the central bank) to allow joint-stock banks to sell up to 30% of their shares to foreign investors (with a maximum 10% holding by each shareholder or group of related shareholders).

As might be expected, where a profit motive is involved, the joint-stock banks have been more aggressive in seeking new business and increasing their market share against well-entrenched State banks.

Joint-Venture Banks

The following j-vs operate with foreign partners (country of partnership is also noted): Bank Indovina (Indonesia); VID Public Bank (Malaysia); First Vina Bank (Korea); Foreign bank branches Australia and New Zealand Banking Corporation (Australia); Bangkok Bank (Thailand); Banque Francaise du Commerce Exterieur (France); Banque National de Paris (France); Cathay Bank (Taiwan); Credit Lyonnais (France); the Thai Military Bank (Thailand); and Standard Chartered Bank (UK) - to open mid-1994.

Foreign banks initially tended to concentrate on trade finance; they are now encouraged, through such means as a sliding scale of reserve requirements, to engage in medium-term project finance.

There remains, nevertheless, a considerable degree of doubt within the Vietnamese financial community as to whether foreign banks are beneficial to VN. Many senior officials, both inside and outside the banking system, express concern that the unrestricted advent of 'giant' foreign banks will swamp local banks before they have a chance to adjust to the competition.

This is a serious concern. Vietnamese banks are grossly undercapitalized for the tasks they are required to perform, and both systems and management skills, nurtured as they were in the centrally-planned socialist economy, are not yet geared up to the competitive free-market environment. These fears may appear to be overblown, however, as Vietnamese banks coped with change far better than expected.

Cash Management

Although the financial system in VN still has some way to go before providing a full range of sophisticated financial tools to corporate treasurers, basic banking services are available in the country. Although State Bank policy is to boost the use of the local currency, the Vietnamese dong, in all domestic transactions, the reality is that VN today is a dual, if not multi-currency country, with the US\$ freely exchangeable.

Indeed, in areas such as payment for accommodation, transport and utilities, foreign organizations are obliged by regulation to settle their accounts in foreign currency. Furthermore, foreign representative offices are not allowed to keep bank accounts in local currency, although companies under the foreign investment law can do so, license permitting.

Under the present situation, foreign companies are permitted to: keep accounts with local banks (including local branches of foreign banks) in foreign currency; freely remit foreign funds into VN, both for credit to an account and payment in cash; and remit out in foreign currency where: the funds are surplus to their requirements (that is, they do not exceed the amount officially remitted in). Care should be taken to ensure that the Investment License includes general approval for such transactions. Any other purpose for which special approval is obtained from the State banks is also permitted to remit in foreign currency.

Prudence must be exercised when dealing externally in US\$ transactions and note taken of US regulations which continue to restrict some transaction-related contracts established prior to February 3.

Advice should be sought from a bank familiar with the Vietnamese scene.

Subject to certain constraints, loans may be raised locally in foreign currency and, in certain cases, local currency.

Other services, such as the use of international credit cards, are becoming available, and the Vietcombank has recently introduced a debit card in local currency (of very high sophistication, incidentally, based on microchip technology).

Moreover, given huge improvements in telecommunications, corporate treasurers can now access financial services such as cash management, foreign exchange, and derivatives, through Singapore and HK markets.

Loan Securing Arrangements

This is currently one of the most difficult areas for foreign investors in VN. In the late 1980's, both the commercial and banking sectors were state-owned; borrowers and lenders were Government entities.

From the banks' point of view, it was rather like transferring cash from one pocket to another, in the same pair of trousers.

Security was not a major consideration as everything was Government-guaranteed and the concept of property as collateral was virtually unknown.

The most common system of security remains the guarantee; while a guarantee can be issued by almost any official entity, it is usual for the holder to have it backed by a bank. It is difficult to assess the value of these guarantees as there is little precedent since the banking reforms of 1990.

However, it is fair to say that while most banks and export credit organizations contemplating extending finance will require a guarantee (especially if lending to a joint venture), it is regarded as an additional comfort and is seldom, if ever, taken as the principle security.

Project Finance

Given some of the structural deficiencies already outlined, it is clear that project finance is at an extremely embryonic stage in VN; very few real project financing arrangements have been made, although it is possible to draw some conclusions.

At the very least, to obtain finance from foreign commercial banks (of the Vietnamese banks, only the Vietcombank and VID Bank are likely to be in a position to grant medium-term foreign currency loans), a project must obviously be shown to be capable of generating sufficient foreign exchange revenue to service the debt (with a healthy margin of error to cover both over-optimistic earnings forecasts as well as the inevitable delays in the revenue stream); this must be available to be credited to an escrow or trust account. In the past, this presented some difficulty as the State Bank was reluctant to permit the use of offshore accounts. But the State Bank may be taking a more conciliatory approach.

being undertaken on a 'quasi project' basis, in which there is an element of offshore support by the foreign investor. In the case of a j-v, this would include the additional backing of a guarantee from the Vietnamese bank on behalf of the local partner. A closer examination of the few examples to date, however, reveals that the structure of financing is cash-flow lending, rather than traditional project financing. Certain projects lend themselves to countertrade where buy-back or long-term sales contracts for the finished product can be negotiated, either with the foreign investor or with a third party. This is particularly common in the commodity business; although they can be difficult and expensive to arrange, these provide a feasible alternative to outright commercial loans. When all else fails, a number of reputable venture capitalists, both private and public, are available, ready to take a financial stake in promising investments in VN, with the intention of later selling back to the original owners. It may dilute your equity, but risk sharing does work wonders for cash flow!



Syigma

Establishment of local branches of foreign banks enable escrow accounts offshore without further approval.

Recent changes to the foreign investment law encouraging Build-Operate-Transfer (BOT) projects may stimulate a new approach to project finance in VN. At present, the majority of transactions are

John Brinsden, Vietnam Country Manager for The Standard Chartered Bank, publishes SCB's Indochina Monitor, in which this story also ran.

FINANCE

The Buck Stops Here

Vietnam moves to curb dollar transactions

By Michael Vatikiotis in Bangkok

One of the oddest ironies of Vietnam's victory over United States forces is the virtual reliance of the local economy, almost two decades later, on transactions in the U.S. currency. The use of the greenback is so widespread in urban areas such as Hanoi and Ho Chi Minh City that even the ubiquitous *cyclo* drivers accept payment in dollars.

That may be set to change later this year. Prime Minister Vo Van Kiet has issued strict regulations to wean the economy off the dollar and strengthen the value of the Vietnamese dong. From October 1, all foreign currency earned by Vietnamese enterprises must be deposited into accounts at authorised banks, and "all payment for goods and services shall be made in Vietnamese currency."



So much paper, so little money.

Foreign bankers and Vietnamese economists generally welcome the decree, saying that if foreign exchange can be driven into the banking system it would strengthen foreign reserves and give the system the liquidity it so badly needs. But they warn that implementing the measure will be an uphill battle, given the Vietnamese public's widespread suspicion of the volatile local currency, the inefficiency of the banking system, and a liquidity crunch that has driven even state-owned companies to settle transactions in dollars.

These large companies are the ones most likely to be affected by the ban on dollars, though how the government plans to enforce it is not yet clear. Small-time traders are likely to slip underneath any

net. "To police everyone using dollars is well-nigh impossible," says one foreign banker in Hanoi.

Foreign businesses operating in Vietnam should not be significantly affected, as their licences authorise them to maintain foreign-exchange accounts, says John Brinsden, manager of Standard Chartered Bank in Ho Chi Minh City. But a Western banker in Hanoi says he's still waiting to see the fine print of the decree. "It does have an effect on our business. I'm surprised we haven't seen it."

The regulations themselves are not new, dating back to a 1990 State Bank decree. Since then, the government has periodically urged Vietnamese to substitute dong for dollars. More significant this time is Prime Minister Kief's strong reminder to abide by the rules, with a deadline for enforcement. "It's very significant, that for the first time the Vietnamese Government has made it clear that the Vietnamese dong is to be the only currency used in the country," says a local economist in Ho Chi Minh City.

The State Bank has allowed its official exchange rate to mirror the parallel market rate for nearly five years. At first, the dong tumbled 60% in 1991 to a low of 14,000 to one U.S. dollar, but it bounced back and held its value at around 10,500 throughout 1992 and 1993. Since the start of the year, it has slipped 4.4% to nearly 11,000 dong to the dollar. "It might be a well-chosen time to do this, as it will check the gradual slide in the value of the dong," comments Standard Chartered's Brinsden.

Even more important than stabilising the dong, which some Vietnamese exporters still consider overvalued, is the urgent need to channel more funds into the banking system. After five years of courting foreign investment, Vietnam has recognised that it must mobilise an even greater amount of domestic capital to forge ahead with its economic development.

But bankers note that although Vietnamese have been encouraged to deposit foreign currency in banks since 1991, funds were trickling in at a rate of no more than US\$5 million a month by the end of 1992. Official estimates of the amount of foreign currency held by Vietnamese outside the

banking system is around US\$600 million. Unofficial estimates exceed US\$2 billion, most of it in dollars or gold.

Vietnam also wants to get a handle on its money supply, to prevent the type of unbridled inflation that has accompanied growth in China. But one immediate difficulty with banning the dollar, bankers say, is the shortage of dong in the marketplace. Printing more currency is not a likely solution. "There has to be sufficient currency floating around to replace the dollar, but the government wants to control inflation, so it maintains tight control of the amount of currency in the market," says one foreign banker in Hanoi.

There has been talk of a new monetisation of the dong. A major problem with the currency is that any appreciable amount of dong comes in large bundles of low-value notes. Currently, 50,000 is the highest denomination dong note in gen-

In Dong We Trust

The value of the Vietnamese currency has stabilised



Source: Asian Development Bank

eral circulation, worth less than US\$5. But bankers in Vietnam believe that the government is wary of tinkering with the currency, because a new dong would arouse fears of a cancellation of the old notes, driving people even deeper into dollars.

Making the local banking system more efficient might help encourage transactions in dong, suggests a local economist. None of the two dozen local commercial banks has yet established a branch network in the provinces, which would allow individuals and economic organisations to send money through the banking system. Those who do rely on bank transfers complain of delays and charges, though serious efforts are under way to streamline the process.

In the meantime, many make transactions in cash, and therefore find the dollar less cumbersome, the economist notes. "The government has to improve the banking system, so people don't have to carry so much currency between provinces." ■

Technology Transfer

by Frederick Burke, Esq.

Nearly every foreign investment project in Vietnam involves some form of technology transfer or licensing. One of the fundamental objectives of Vietnam's policy of encouraging foreign investments is to absorb technological know-how to raise the living standards of its people and to modernize the nation. But the Vietnamese government regulates the import of technology heavily. The regulatory scheme is intended to protect unsophisticated Vietnamese licensees, combat anti-competitive practices, and expedite Vietnam's modernization. For foreign companies with valuable intellectual property these regulations provide some degree of legal protection, but also pose significant limitations and legal liabilities. These issues were recently highlighted by the issuance of an important new legal document on the subject of technology transfer - the Circular on Transfer of Foreign Technology into VN, No. 28/TT-QLKH, issued by the Ministry of Science, Technology and the Environment ("MoSTE") on January 22, 1994.

Legal Framework

Vietnam's regulations pertaining to the transfer of technology have been formulated in a cumulative fashion, with new regulations supplementing, but not superseding, prior ones. The result is a complex regulatory structure within which contradictions between various regulations are resolved on an ad hoc basis.

Each may have a bearing on a technology transfer or license from abroad. In addition, an array of related laws and regulations which deal with foreign trade and investment, foreign exchange, taxation, patents, trademarks and other forms of industrial property may also impact technology transfer transactions.

Regulatory Framework

Transfer of technology does not include the importation of conventional machinery and materials, or straight purchase and sale of trade mark ownership or use rights, without the transfer or license of the associated industrial property rights.

Approval Requirements

Identifying the relevant approval authority is often a problem in implementing a technology transfer contract, except in respect of foreign investment enterprises, where the approval

authorities are more clearly identified by the Circular on Technology Transfer. All technology transfer contracts (and subsequent amendments) must be received by a Vietnamese approval authority to become effective. The Ministry for Science, Technology and Environment ("MoSTE") has the general authority to approve such contracts. Though MoSTE has delegated approval authority in certain categories, it largely retains control of the approval process. For example, MoSTE must approve all contracts worth more than \$1 million; contracts worth more than \$500 thousand that are financed by the State Treasury; contracts that affect national defense or security, and contracts which may have other "exceptional consequences." Other ministries and even local governments may have jurisdiction over the approval of contracts the value of which is less than \$1 million, or, if financed by the State Treasury, \$500 thousand.

Jurisdiction over the approval process for technology transfer contracts was one of the most hotly debated aspects of Circular on Technology Transfer (hereafter referred to as "CTT") during last year's drafting. Foreign technology suppliers may still find that local governments and national-level ministries other than the MoSTE claim authority to approve contracts proposed with entities under the jurisdiction, the approval procedures of the CTT notwithstanding. The foreign technology supplier must, of course, take such assertions with a grain of salt, lest it end up with an unenforceable or even illegal contract by virtue of having failed to obtain the requisite approval from MoSTE.

Foreign Technology

Vietnam's regulations on technology imports require foreign technology to meet certain basic standards. Specifically, foreign technology must enhance technological standards and production of efficiency, or be capable of developing new products. It must be safe, make rational use of energy, natural resources, and manpower, and cannot adversely affect the environment.

The Tech Transfer Contract

A technology transfer contract must be in writing. The Decree on Technology Transfer and the CTT stipulate the basic terms and conditions that must be covered in a technology

transfer contract, to assure a legal framework, and for their information.

For many of these items, the regulations impose specific requirements for the business terms that the parties must incorporate. For example, where the Vietnamese party has its own technology, the contract should state that the Vietnamese party has the right to demand imported technology to be substituted with Vietnamese technology.

Prohibited Terms and Conditions

The Decree on Technology Transfer and the CTT also prohibit certain restrictions on the use of foreign technology. Specifically, the following types of provisions may not be included in technology transfer contracts unless special approval is given:

1. tie-in provisions which compel the transferee to buy such items as raw materials, components and labor from the transferor, except in special cases;
2. restrictions on the quantity of production, price, or sales area for the products produced with the technology and, in particular, restrictions on sub-licenses and on the export markets for such products;
3. restrictions on the transferee's right to research and develop the technology transferred or to receive similar technology from other sources;
4. provision requiring transferee to use the supplier's sales agents, except where activities can be carried out more efficiently if not undertaken by transferee;
5. restrictions on transferee's use of the technology after expiration of contract (limited to a maximum of seven years) or after the industrial property rights contained in the contract have expired; and
6. provisions requiring transferee to pay a royalty based on products sales before the transferee has sold any products.

In special circumstances, the relevant authorities may allow such restrictions to be included in a technology contract. For example, restrictions on export markets may be approved where failure to restrict the export markets would place the supplier in breach of existing licenses or sales of the same technology.

Price And Payment

The specific royalty rates and modes of payment that are permitted under the CTT vary according to a number of factors. For example, in a straight technology license where

royalties are based on the net selling price (as defined in the Circular itself), the licensor may charge a rate of as much as 5% of "net selling price" if the technology is "of considerable significance to economic development, the products are of high quality and result in high profitability and a high percentage of the products are exported." In most cases, however, royalty rates would be limited to 3% for patents, know-how and other proprietary technology, while the rate for trademark licenses is capped at a maximum of 2%. If there is a royalty for the use of a trademark and the trademark is well known in VN, the royalty for the license may not exceed 1% of the net selling price of the products bearing the trademark. For items which are shipped to VN for packing and assembly, the rate should generally not exceed 0.5% of the net selling price.

Special considerations apply to pricing when contents of transferred technology include consultancy and training services. These considerations include a requirement for specific cost breakdowns, and projected working hours of each consultant or trainer.

If certain intellectual property rights expire or become public, the parties are required to re-negotiate the prices. To avoid problems that can arise in such situations, it would be wise to negotiate a detailed contractual provision.

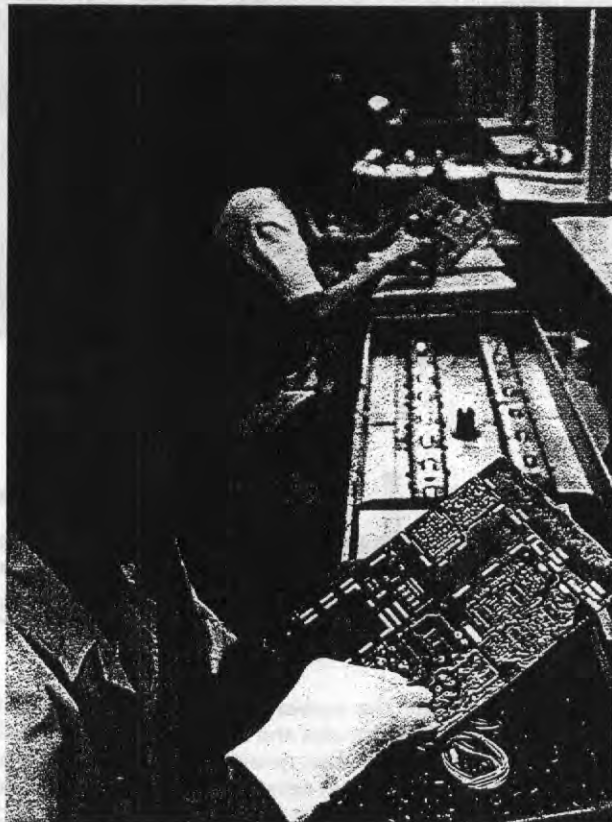
Tech in Foreign Projects

Proprietary technology may be used toward a foreign investor's contribution to legal capital (analogous to shareholder's equity) in a j-v. As an incentive, the Law on Foreign Investment offers an exemption from Business Income Tax for capitalized technology fees. Note that foreign investors who establish wholly foreign owned enterprises are not generally permitted to use proprietary technology as a capital contribution, except for research.

The CTT also contains provisions designed to protect minority Vietnamese interest holders in joint ventures but which give rise to consternation among foreign investors. For example, where the foreigner holds more than a fifty percent interest in the j-v, the CTT gives the Vietnamese party veto power over the contents and valuation of the technology contract. This provision is designed to prevent foreign investors with controlling interests in joint ventures from using their board control to force an unfavorable technology contract on a j-v, despite the fact that under

the Law on Foreign Investment in VN, the forgone investor must have two-thirds interests, and not merely a 51% interest, to achieve even nominal board control.

Where a foreign party intends to transfer technology to a j-v, the contract must be included in the documents submitted to the SCCI when applying for an investment license. Once transferred, capitalized technology must be valued and follow up reports must be given to the SCCI. At this stage, the Vietnamese party to a j-v with more than a 50% foreign interest also has a veto power over the acceptance of the valuation of the technology transferred, a right that gives rise



Sigma

to obvious risks for the foreign investor. In cases where the technology does not come up to the promises of the technology contract, retroactive adjustments in the royalty rate or even the valuation of the parties' contributions to legal capital may be required. The same valuation report provides the basis for determining a j-v's depreciation rates and the amount of foreign exchange that may be remitted by the foreign party. Again, the potential for disputes in a country where high expectations of foreign technology, coupled with the potential for abuse of regulatory protection for local transferees, poses risks for foreign investors that may be limited only with very careful advance negotiation and contractual agreements.

Governing Law and Dispute Resolution

The Decree on Technology Transfer envisages that the parties may choose a law to govern the contract other than Vietnamese law. However, even where a foreign governing law is chosen, the contract will be subject to the mandatory regulatory provisions of Vietnamese Law. Moreover, technology transfers in the context of j-v investments are subject to the ambiguous requirement of the Law on Foreign Investment that Vietnamese law must govern "the activities of a j-v."

Parties to technology contracts are obliged to try to resolve all disputes arising therefrom by friendly consultation. Failing such resolution, the dispute may be referred to institutional or ad hoc arbitration in VN or abroad.

Offenses

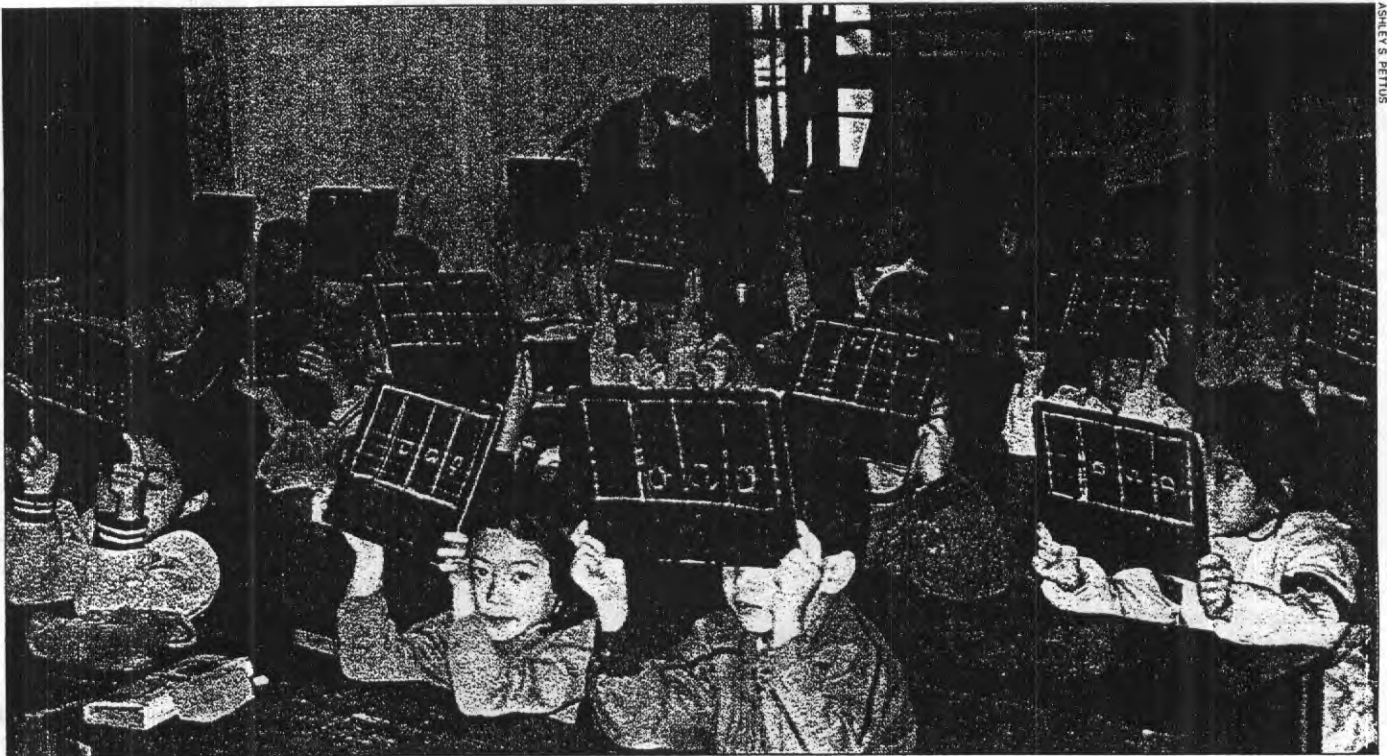
Under the Circular on Technology Transfer, it is an offense not to submit a technology transfer contract to the relevant approval authority within 30 days of signing and it is an offense to submit an incorrect version of the contract. There are also penalties for failing to prepare the required evaluation reports.

The Decree of Technology Transfer and the CTT prohibit false statements from being made in connection with the technology transfer or the evaluation report, including amending the values of the technology to either reduce taxes or increase the foreign currency to be paid to the foreign partner. Where false statements have been made, the license to transfer the technology may be withdrawn and the contract declared invalid. The person who is responsible for making the fraudulent statement shall be liable for all economic consequences. Further, if there is serious violation, criminal charges may be brought against the offender.

Conclusion

VN is in a transitional period. Perhaps because of abuses by foreign technology suppliers in the past, or perhaps because of lingering impulses of central planning, the State will continue to play a direct and active role in the commercial relationships between technology suppliers and their Vietnamese purchasers. Various regulations on technology transfer and licensing must be taken carefully into consideration when negotiating a technology transfer contract in VN.

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First-graders at Hanoi's experimental elementary school.

EDUCATION

Vietnam's Learning Curve

Dwindling subsidies squeeze teachers and parents

By Ashley S. Pettus

At 4:00 every weekday afternoon, Miss Ha anxiously awaits the final bell that will dismiss her third-grade students. She has less than 30 minutes to cycle across Hanoi to her appointment: an English-language class that costs nearly half of her teacher's salary. "If I don't learn English quickly," she explains, "I may not be able to keep my job."

Miss Ha has taught Russian for more than 10 years. But next year, her school will cut Russian from the curriculum. Although her English is still poor, she recently landed a night job teaching English to teenagers. "I know my English isn't good enough," she admits, embarrassed, "but I really need the money and everyone is looking for teachers."

Miss Ha's plight reflects the declining quality of Vietnamese education in the wake of market reforms. Economic liberalisation policies — or *doi moi* — begun in 1986 have breathed new life into Vietnam's once-moribund economy. But they

have put the squeeze on social services such as health care and schooling. Declining state subsidies, rising living costs, and the demand for new skills have forced Vietnamese to rely on their own efforts and money to ensure their children get the education they need.

In the past eight years, Vietnam's economic growth has outpaced growth in tax revenues. Private-sector development, it seems, has created new incentives and opportunities for tax evasion. This inability to collect increased tax dollars has left education hanging by a thread: Funds for teacher salaries and student scholarships barely cover the cost of living. And there is little money left to upgrade decrepit schools. The most talented young people are turning their backs on teacher-training institutes. The teaching profession — which once enjoyed high prestige — just doesn't pay enough.

The impact of budgetary shortages has been compounded by Vietnam's new climate of economic opportunity. Those who might otherwise have stayed in school are

quitting to go to work. In rural areas, agricultural cooperatives have given way to a more market-oriented, household-based contract system. This gives parents strong incentives to keep at least one child home from school, usually a girl, to help cultivate the family plot. A third-grade teacher in northern Bac Thai province explains why she often sees the same faces in her class, year after year.

"They are never in school long enough to complete the course work," she says. "Parents decide it's not worth it."

In cities, school attendance is considerably higher. But economic reform has triggered a proliferation of consumer goods, fuelling a sharp increase in consumerism among young people. Lured by the hope of immediate employment, many teenagers from low-income families drop out of high school.

Escalating school fees also put pressure on parents to take their children out of school. Primary education is officially free to all Vietnamese; currently, some 9.72 million children are enrolled. In recent

years, however, insufficient government funding has prompted individual schools to offset costs with parents' "contributions." Schools regularly ask families to pay monthly fees for building repairs, classroom supplies or teacher awards. Their contributions may amount to as little as 50 U.S. cents or as much as US\$5 a month, more than many families can afford.

Hardship in Vietnam's schools has also triggered new kinds of informal payment schemes. Parents now subsidise teachers' state salaries with monetary "gifts" in a tribute system that few dare ignore. Urban teachers have come to depend on these direct contributions. Without them, many would have to take on demeaning jobs as food or trinket vendors.

In cities like Hanoi, Haiphong and Ho Chi Minh City, teachers now conduct "extra study" classes — known as *hoc them* — for which parents must pay. Parents view these classes as mandatory, even though they are organised after hours.

"Everyone knows that the teacher saves the important lessons for the *hoc them* classes," says one Hanoi mother cynically. "Even the top students attend." If a pupil skips the class, his parents will usually pay up, anyway. Otherwise, they fear, he will receive a poor grade.

There is an irony in parents' willingness to shoulder the growing financial burden of education, though. Most Vietnamese agree that the knowledge acquired in school today doesn't prepare students for the workplace. "Our education system is way behind the needs of the society," explains a Vietnamese scholar of education. "It still operates according to the rules and ideas of the past. Obedience and control are still more important than creativity or problem-solving."

Changing Vietnam's education system is a tall order, given its history. Communists declared free, state-funded education as a key tenet of their policy when the country won independence from France in 1954. Schooling was to be "for the people and by the people," the foundation for a modern nation, and the training ground for "the new socialist man." As a result, Vietnam's current literacy rate — 88% — is among the world's highest.

Despite these socialist ideals, Vietnamese education continues to bear the mark of a Chinese, and specifically Confucian, cultural heritage. It stresses hierarchy and formalism, contributing to a learning environment that stifles individual expression. Students must defer to teachers' authority, and memorise written texts.

As education officials work their way up the learning curve, however, change is certain. Several recent government conferences have expressed an interest in the "needs of the individual student."

Pressured to compete with its Asean

neighbours, the Vietnamese Government has recently taken steps to forge stronger links between schools and industry. To that end, the Ministry of Education plans to include a mandatory vocational component in all high schools. And primary and secondary school teachers now receive a higher level of training. Some teachers are even visiting richer Asian centres such as Singapore to be trained in much-needed subjects like English and computer science.

Vietnamese quietly applaud these efforts. But they still face the immediate challenge of educating their children. Unwilling to wait for official goals to be realised, parents are finding their own solutions. The rapid growth of for-profit after-school classes is only one example of the trend towards unofficial privatisation in Vietnam's schools. As state guarantees erode, people with new ideas about teach-



Students leave a Hanoi high school.

ing are stepping in to meet parents' demands.

"I opened this school to provide an alternative for students who are serious about their studies," explains Van Nhu Cuong, the principal of one of Hanoi's new "people-founded" schools. "I was dismayed by the poor quality of education in our country and I wanted to start a school with high educational standards."

Located near Hanoi University, the Luong The Vinh school admits only students who have scored high marks on their secondary-school entrance exams. Tuition fees are higher than state high schools — about US\$5 a month versus Dong 9,000, or about 80 U.S. cents.

But some view it as a bargain. As one 12th grader notes, his parents wind up saving money because they don't have to pay for extra classes. The school uses the

tuition fees to pay higher salaries, attracting better-qualified staff. All of its teachers hold advanced degrees and some are even professors.

Hanoi has seen a proliferation of these people-founded schools. Technically, they are not private; the founders must be affiliated with a government office, and the state rents out all classroom space. But they do enjoy the freedom to charge tuition and, more importantly, to hire the best teachers. And that's the main draw for students' from wealthier families.

"By meeting the educational needs of those who can afford to pay," the director of another school says, "we are enabling the government to direct its funds to poorer areas." His school is the first of its kind, catering to "misbehaved children" from well-off families. Expelled from regular schools, the director says they "are at risk of being lured into delinquency by the bad influences of modern city life."

For Hanoi's burgeoning middle class, a greater choice of schools provides new strategies for success — and new ways to distinguish themselves as modern and cosmopolitan. One "experimental" elementary school specialises in Western-style teaching methods that emphasise the child's creative development.

Urban professionals, intellectuals and high-level civil servants who want to prepare their children for a more competitive future are flocking to sign them up. A father who works for a political-science publishing house feels modern teaching methods are long overdue. He adds: "I want my daughter to learn to think for herself and not to fear authority."

The introduction of these diverse teaching methods is, however, creating a stratified educational system. More prosperous Vietnamese continue to pay their own way. But huge gaps in educational opportunities and facilities are growing between regions, provinces and even neighbourhoods. The widest split lies between cities and the deeply impoverished countryside. Some 80% of the population still lives in rural areas, where there are too few resources to provide English centres, extra study classes and educational alternatives available in the cities.

Without a wholesale restructuring of the education system, these inequalities aren't likely to go away. The system's future will depend on how Vietnam resolves the relationship between the state and society — and whether the country succeeds in forming a national education policy that can harness the human and intellectual potential of its people. ■

Ashley S. Pettus is a University of California doctoral candidate who is doing research on educational issues in Hanoi.

\$13.8 Billion Foreign Aid Bill Sent to President

Associated Press

Congress gave final approval yesterday to a \$13.8 billion foreign aid bill that begins cancellation of Jordan's debt to the United States as a reward for making peace with Israel.

The bill includes \$50 million in emergency and refugee aid for Rwanda, provides \$1.2 billion for former communist bloc countries and lifts a two-decade-old ban on bilateral aid to Vietnam.

The measure, approved 88 to 12 by the Senate, now goes to President Clinton to be signed into law. It passed the House Aug. 4.

Senators also acted on another spending bill that would provide \$253 billion for health, education, welfare and jobs programs in the year that begins Oct. 1. That measure was approved 87 to 13, and it will go to a House-Senate conference to work out minor differences between the two chambers.

The foreign aid bill includes \$99 million as a down payment on Clinton's promised \$700 million in debt forgiveness for Jordan. The money will leverage the first \$220 million in loan cancellations. Further installments to pay off the debt will depend on continued progress toward a final peace agreement, lawmakers said.

Clinton's gesture came after Jordan's King Hussein and Israeli Prime Minister Yitzhak Rabin officially ended four decades of hostility between their countries.

The bill also lifts a long-standing ban on aid to Vietnam, opening the possibility that the Export-Import Bank could make credit available to U.S. companies seeking to do business there.

No money is provided directly for Vietnam in the bill, but ending the ban could be a step toward bilateral aid in the future. Clinton in February ended a U.S. trade embargo on Vietnam.

Also in the bill is \$850 million for former Soviet republics, \$359 million for Eastern Europe and the Baltic states, \$802 million for the Development Fund for Africa and a set of restrictions on military aid to Indonesia, Greece and Turkey.

The measure also contains the traditional military and economic aid to Israel, \$3 billion, and Egypt, \$2.1 billion. The two countries are perennially the largest recipients of U.S. foreign aid, a vestige of their 1979 Camp David peace agreement.

In providing aid to the former Soviet republics, the bill recommends, but does not require, that \$150 million go to Ukraine, \$75 million to Armenia and \$50 million to Georgia.



Photo by Bert V. Goulet/The Washington Times

Todd Ouellette makes his point at a White House gate: "I think most people are kind of afraid of me."

POW activist breaks through Dogged White House protest nets talk with key official

By Frank J. Murray THE WASHINGTON TIMES

Despite "one small victory," Todd Ouellette stood rigidly at the White House gate again yesterday, off his knees but still battling for prisoners of the Vietnam War with an ardor that gives much of the presidential staff and press nervous tremors.

"I think most people are kind of afraid of me," Mr. Ouellette said, struck with wonder that National Security Adviser Anthony Lake ventured out to talk to the quiet protester in a black T-shirt and shorts about his quest to deliver a petition to President Clinton.

"I asked to see this young man," Mr. Lake said of the unusual encounter arranged after he learned from presidential adviser George Stephanopoulos that Mr. Ouellette was articulate and interesting. "I care deeply about the MIA issue and told him that and read his petitions."

Mr. Ouellette celebrated the meeting yesterday, along with his 27th birthday, by not kneeling for hours on concrete with bare knees as he usually does to simulate Vietnamese torture of American POWs.

The 135-pound, 6-foot-3 Minnesotan — so gaunt he was rejected for military service on health grounds — has developed a limp from the kneeling that causes such paroxysms of trembling that many passers-by look away self-consciously.

"It pinches the nerves in your knees and spazzes your body all the way up," he said in an interview explaining his 11-month silent vigil through temperatures ranging from near 100 to below zero.

"Silence is more effective than screaming. It would turn people

off," he said.

He and his black POW-MIA flag were briefly hauled away in a paddy wagon one day when he politely refused to abandon his strategic spot while Mr. Clinton was passing by.

Mr. Ouellette says he seeks the president's attention to troops left behind from a war he was too young to fight, although he knows no one who was a prisoner or missing in action.

"You don't have to be one to care," he said dismissively.

He's also fighting for POWs from the Korean War and World War II and the Civil War, for that matter, and during an interview recited details of atrocities affecting POWs throughout the nation's history.

"This isn't just about Vietnam," Mr. Ouellette said of his concern about POWs. "They live, they die, they starve, whatever. It goes way back."

His stained and wrinkled petitions ask more openness of documents and urge delay in further normalizing relations "with regimes that continue to hold our men captive."

"I'm giving 'em to Bill personally. I'll stay here until I do," Mr. Ouellette said, although he provided a four-page sample to Mr. Lake, including signatures from Arkansans he said Mr. Clinton would recognize.

Mr. Ouellette gathered thousands of signatures during a six-month, 2,700-mile walk from Los Angeles. He sought an appointment through the scheduling office when he arrived in Washington Feb. 19, 1993, but got nowhere close to the Oval Office.

He's been staked out at the Northwest Gate of the White House for nearly a year with a bag

holding orange juice and suntan oil, supporting himself with a night job as a Georgetown bartender. He plays guitar for a hobby and lives with a woman friend.

Asked how the United States ever could act if POWs and MIAs truly are all dead, he said it's important to reveal how many were left and who knew they remained behind.

"You've got to at least tell the truth about it. Release all the documents. Get it into the history books," he said.

"He's gotten one step closer to see the president," National Security Council spokeswoman Kara Sunshine said without suggesting such a visit ever would come to pass. "He's gotten the national security adviser to come out and talk to him and read the petitions."

On a day when Mr. Ouellette was not at his post beside the gate used by most presidential visitors and virtually all reporters, Mr. Lake left his number with an officer at the guardhouse.

When Mr. Ouellette called back, he not only got Mr. Lake on the phone but the adviser came to the gate within minutes to talk and was nonplussed to find him on his knees.

He told Mr. Lake that Vietnamese troops tortured prisoners by forcing them to their knees.

"Well, I'm not torturing you. Why don't you stand up while we talk?" Mr. Lake said.

Mr. Ouellette said he was so rattled he forgot to make all his points.

"You've got a million things to say, but you don't spit them out," he said. "If I ever get to see Bill, I'll have everything written out. I started working on that last night."

THE 5TH COLUMN



Tran Quang Co is Vice-Minister of Foreign Affairs of the Socialist Republic of Vietnam.

Rights and Values

By Tran Quang Co

As we look at the post-Cold War world, we find ourselves faced with a picture full of contradictions. On the one hand, we see a globe divided by ethnic, nationalist, religious and factional conflict. On the other hand, despite such conflicts the trend lines clearly lead towards increasing international cooperation and integration, such as the recently completed Uruguay Round of Gatt.

Against this background, the issue of human rights has also assumed a global dimension. Last year it was the subject of a much-publicised, United Nations-sponsored world conference in Vienna, and in a number of countries it has become a component of foreign policy — not to mention a topic of debate within and among not only governments but a host of private organisations. Human rights themselves, of course, are hardly new. What is new is the way these rights are today advocated by some countries and groups.

In the best of all worlds, human rights would become a field for cooperation rather than a battleground of confrontation. But for this to happen, it is important to keep in mind that such rights are a product of human evolution and as such evolve with time, being neither absolute nor immutable. It is therefore strange that some of those who advocate human rights as a cornerstone of international relations pay so little regard to differences in stages of socio-economic development — and the ensuing differences in the perception of imperatives and the setting of national priorities. A starving country, for example, will be far more concerned with feeding its people rather than the forms and methods of democracy.

I hasten to add that my intention here is not to fall into the over-simplistic, quasi-mechanical argument that the higher the level of socio-economic development, the higher too the level of human rights. All I wish to stress is that socio-economic development provides objective conditions and possibilities for better implementation of human rights, both individual and collective.

The point is that human rights is an aggregate product that calls for a balanced, holistic approach. History shows that eco-

nomics have always been as important as, if not more than, civil and political rights. During the 1980s, we have had our own experience of this with the "boat people" problem. Facing hard economic conditions after decades of war, thousands of Vietnamese chose illegal emigration in hopes of finding a better material life abroad. But because of political motivation, some countries have interpreted this as an exodus of political refugees. It is blatantly clear that this is not at all the truth. Indeed, the success of our economic reform has halted this sad phenomenon.

It should also be clear that human rights cannot be summed up merely as individual rights. Human rights also encom-

‘ If democracy is indeed a worthy goal for regulating relations within a society, should it not also be followed among nations? ’

pass the collective rights of communities and nations to self-determination; the right to sovereign use of national natural resources, the right to development, the right to equality of status among nations.

To some in the developed North, these collective rights might appear somewhat abstract and remote. But to nations that have recently emerged from colonial bondage and are struggling to develop in an unfavourable and still unfair international environment, there is nothing remote about these aspirations at all. One is tempted to think sometimes that the reason affluent nations speak so little of self-determination, sovereignty and equality is that in their everyday lives as rich and

powerful nations they take these rights for granted. In other words, they call the shots.

More interesting still is that the same rights and rules so often invoked for judging relations between governments and their people are by no means followed when it comes to relations between states. If democracy is indeed a worthy goal for regulating relations within a society, for example, should it not also be followed among nations? It seems somehow strange to us that the heightened attention that certain quarters display over a few specific cases of what they consider to be human-rights violations in our country often goes together with a blithe indifference for the hundreds of thousands of Vietnamese whose human rights were abridged in many different ways during the war and from whose consequences they continue to suffer today.

To put it another way, we all need to remember that human rights will ever be a complex and sensitive issue, if only because by its nature it touches at the core of each society's scale of values and way of life. Certainly all states must strive to improve the human rights for their people, and they are accountable both to their own peoples and the world community at large. What we find disquieting is the growing practice in bilateral dealings of pushing limited areas of concern without regard for our values, often going into details and aspects so specific that it raises the question of national sovereignty. At the international level, diversity no longer is hailed as a virtue.

Inasmuch as human rights have become part of international life and dialogue, we need to anchor this dialogue firmly to sound principles that will ensure their sustainability: mutual understanding and respect, objectivity and non-politicisation, equal footing and the recognition that, as the Vienna Declaration put it, "the protection and promotion of human rights and fundamental freedoms is the first responsibility of governments." Only thus will we advance human rights throughout the world and avoid a new North-South Human Rights economic divide adding to the North-South Economic Divide. ■

Operations Update

2nd Quarter 1994: \$376 Million

Bank lending and equity investments in the second quarter of 1994 totalled \$353.7 million to seven developing member countries (DMCs).

Technical assistance grants totalled \$22.2 million, of which 47 grants worth \$20.1 million were approved to 19 DMCs for project preparation and advisory activities, and 10 grants amounting to \$2.1 million were for regional activities.

Six loans totalling \$326.5 million were approved during the quarter.

The largest loan amounting to \$100 million was made to Pakistan for the Social Action Program, which is Pakistan's most innovative and far-reaching program yet to help its poorest people.

Four projects were co-financed, including two projects which had been approved in earlier years. This brought total co-financing during the period to \$309.7 million.

The Bank made three equity investments totalling \$27.2 million, one in Thailand and two for the region. The Bangkok Expressway Co. Ltd. in Thailand received a \$7.1 million equity, while the Asian Infrastructure Fund (AIF) and the AIF Management Co. got \$20.1 million equity to assist it in mobilizing long-term risk-capital for infrastructure projects in DMCs. ■

LOAN APPROVALS IN 2nd QUARTER 1994 ^a

Country/Project	Amount (in US\$ million)	Term (Years)		Date Approved
		including Grace Period	Interest/ Service Charge (%)	
China, People's Rep. of Yunnan-Simao Forestation and Sustainable Wood Utilization	77.000	25(7)	Variable	30 Jun 1994
Indonesia Rural Health and Population	40.000	26(6)	Variable	26 May 1994
Mongolia Telecommunications	24.500	40(10)	1	16 Jun 1994
Pakistan Social Action Program (Sector)	100.000	35(10)	1	23 Jun 1994
Sri Lanka Fourth Development Finance Loan	75.000	40(10)	1	28 Jun 1994
Tonga Transport Infrastructure	10.000	40(10)	1	28 Jun 1994
TOTAL	326.500			

^a Excludes private sector loans without government guarantee.

PRIVATE SECTOR OPERATIONS IN SECOND QUARTER 1994

Country/Project	Equity (in US\$ million)	Bank Loan (in US\$ million)	Compl. Loan (in US\$ million)	Total	Date Approved
Thailand Bangkok Expressway Co. Ltd. ^a	7.100	-	-	7.100	11 Apr 1994
Regional Asian Infrastructure Fund (AIF)	20.000	-	-	20.000	12 Apr 1994
AIF Management Co.	0.100	-	-	0.100	12 Apr 1994
TOTAL	27.200	0.000	0.000	27.200	

^a Supplementary approval.

A S E A N

Bigger is Better

Asean looks to expand its global clout



In the confusion of the post-Cold War world, there may not be much cachet left in being a superpower. But when push comes to shove in international diplomacy, it's still true that bigger is better.

In the past, that point seems to have eluded the six members of Asean, which have hewed more to the small-is-beautiful line. Limiting the association's membership to countries with political, economic and social similarities has endowed the group with a "sense of cohesiveness that gave us the psychological security to take on the world," says Thailand's Deputy Foreign Minister Surin Pitsuwan.

But as the world has changed, so has the thinking in Asean. Mirroring changes taking place elsewhere, the lines in Asean between national security, economic health and political vitality have blurred almost beyond recognition. In all three areas, Asean is feeling the pressure to look outside its borders. "Asean's challenge today is how to maintain our relevance in a changing world," says Kusuma Snitwongse, director of the Institute of Security and International Studies at Chulalongkorn University.

More and more analysts are coming around to the view that "maintaining relevance" requires a bigger Asean. "Asean cannot stay the same. We must be more dynamic," says Thailand's Deputy Prime Minister Supachai Panitchpakdi. "We should not fear change or we will lose our momentum."

There are two, mostly complementary approaches to making Asean more influential on the world stage. One is to expand Asean's involvement in larger gatherings such as the Asia-Pacific Economic Cooperation (Apec) forum or fashion linkages between Asean and other trade associations or economic groupings. The second is to take in new members.

There is no shortage of pressures pushing Asean in these new directions. One concern of Asean members is the emergence of new threats to their trade because of Western criticism on human rights, labour and the environment. A year ago, some Asean members viewed membership

in Apec as possibly opening them up to more pressure of this kind. But a more pragmatic approach is now emerging.

"If we can join with larger, more powerful economic players in a forum in which we can share our views with them, then that is good for us," says Pracha Gunakasem, the permanent secretary at Thailand's Foreign Ministry. "Anyway, Asean is strong enough to stand up to any bullying. It's not like the 1950s anymore. We can also use this group to convey our views to the larger countries."

Another factor fuelling Asean's expansionist urges is the need to bargain effectively in multilateral trade talks. Thailand



Not everyone was so happy at Gatt.

was generally satisfied with the final results of the Uruguay Round of Gatt trade talks, says Supachai, "but like most Third World countries, we felt a little short-changed on the compensation. We gave ground on intellectual-property rights and opening our services sector but we were disappointed by what we got in return on agricultural trade."

To increase Asean's leverage in the next round of world trade talks, Supachai and others are recommending that the implementation of the Asean Free Trade Area (Afta) be reduced to 10 years from 15, that tariff reductions be deeper, and that fewer items be permitted on the exclusion list. Supachai says that a meeting of Asean economic officials in Chiang Mai in September is likely to endorse at least some of these changes.

Moreover, Asean ministers are actively seeking ways to establish new connections between Afta and other trade groupings.

One likely candidate is the Closer Economic Relations trading arrangement between Australia and New Zealand. Another is the North American Free Trade Agreement (Nafta). Supachai says Afta would like "to find a common platform with Nafta on fishing rights."

Beyond expanding cooperative efforts with outside groupings, Asean is struggling with the task of expanding itself. The long-term goal is to bring the four South-east Asian nations not currently in Asean — Vietnam, Laos, Cambodia and Burma — into the group as full members. This process is bound to be a slow one. Many in Asean worry that taking on new, less economically advanced members will weaken the group's cohesiveness, particularly if the Afta process is to be speeded up at the same time.

Consequently, Asean is considering a variety of halfway measures that would begin the process of binding the "outside four" — Vietnam, Laos, Cambodia and Burma — to Asean, the most promising of which is the so-called Southeast Asia Community.

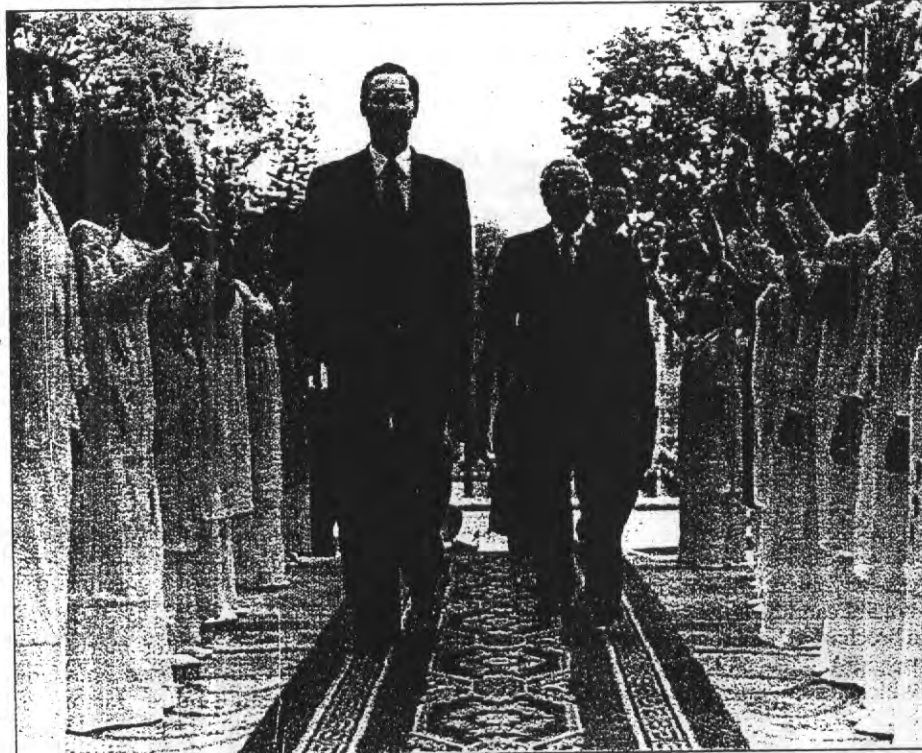
Government officials, policy analysts and academics from the 10 countries met in Manila in late May to draw up a manifesto of sorts for a Southeast Asia Community. The document said the Community's aim was to "be a major political, economic, cultural and moral entity on the world stage in the 21st century."

Surin, who calls the proposed community "a trial run for a bigger Asean," says there is a need for all 10 nations in the region to cooperate on issues such as drug trafficking, terrorism, labour migration and piracy. He also says the community can give Asean "a broader stand on issues such as Apec, trade, human rights and the environment."

The Southeast Asia Community is also being looked to as a way to alleviate frictions that may arise from the quickening economic exploitation of Indochina. Rapid and largely unregulated investment in these countries, some analysts fear, might put Asean in conflict with outside powers as well as turn Asean nations against themselves.

Officials of the 10 nations are expected to meet again in Bangkok within six months and the Community is likely to get high-level endorsement at the 1995 Asean Summit in Thailand. Proponents will use the time until then to allay concerns that a broader Asean framework could damage the core interests of individual Asean members.

■ Adam Schwarz



Clockwise from left: Singapore Premier Goh Chok Tong (left) visits Hanoi; Thai Foreign Minister Prasong Soonsiri; Indonesian Foreign Minister Ali Alatas: membership for Vietnam?

A S E A N

Growing Pains

As its foreign ministers meet in Bangkok, Asean must decide whether to take a bigger role on the regional and international stage.

By Rodney Tasker and Adam Schwarz in Bangkok, and Michael Vatikiotis in Malaysia



Asean is a victim of its own success. Born as a brittle alliance of young nations united in their fear of communism, it transformed itself with the demise of that threat into a mutual benefit society limited to smoothing over spats among its six members and speaking with a unified voice in the international arena.

But now Asean is finding that the loose ties that served its members so well in the past must be adapted to the realities of the 1990s. The organisation is under pressure to widen its role, notably by taking more responsibility for regional and pan-Asian security questions, accepting new members, and accelerating the expansion of business and trade links among members.

As a signal of Asean's growing stature, the six Asean foreign ministers, meeting in Bangkok for their annual conference from July 22-28, are about to be joined by 12 counterparts from east and west. Apart from routine post-conference meetings with its seven dialogue partners, Asean for the first time will host a security session under the aegis of the recently conceived Asean Regional Forum (ARF). At the three-hour meeting, dialogue partners Japan, the United States, the European Union, Canada, Australia, New Zealand and South Korea will be joined by China, Rus-

sia, Vietnam, Laos and Papua New Guinea. The ARF meeting, though it will be brief and have no formal agenda, demonstrates that Asean has at last dropped its traditional reluctance to go public with its regional security concerns. Until recently, Asean was careful to bill itself as purely a political and economic grouping.

The Bangkok meeting could also produce an invitation to Vietnam — for many years the organisation's *bete noire* — to progress from observer status to full membership. But even if the invitation is extended in Bangkok, the process of incorporation would take at least several years, officials say.

In the meantime, Vietnam and another observer, Laos, could join under a halfway-house arrangement for an expanded Asean that has recently been proposed by officials and academics in the region. The two would become members of a new organisation, the Southeast Asia Community, which ultimately will consist of Asean plus the three Indochinese countries and Burma. The concept is a recognition that eventually all countries in the region — even

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problematic Burma, whose military dictatorship is treated as a pariah by Western countries — must eventually be drawn into the Asean embrace.

Economically, the six foreign ministers will be anxious to reinforce their grouping within the Asia-Pacific Economic Cooperation (Apec) forum, which allows them to gain more leverage by speaking with a united voice rather than being swamped by Apec's big brothers, the U.S., China and Japan. And there are also serious thoughts about extending trade links to include Australia and New Zealand. The two have expressed enthusiasm for the idea as part of their ongoing programme to lock in with Asean economically and politically.

As U.S. political scientist Donald Crone, who studies the region, says: "Multilateral cooperation within Asean, within East Asia and in the Pacific are the primary means for achieving economic security in the 21st century. The futures of Asean and Apec are critical to this strategy." Crone adds: "By strengthening its own institutions, expanding Asean ties to Indochina, and participating in larger institutional forums, the Asean members are attempting to adapt their pursuit of economic security to current political and economic realities."

Within Asean, meanwhile, there are increasing pressures for faster integration, though most of the push appears to be coming from the private sector rather than from government officials. In part because of the similarities in commodity exports, Asean has been extremely slow to integrate economically during its 27-year existence. Currently, the organisation's main goal is the consolidation of the Asean Free Trade Area (Afta), an economic-liberalisation programme that aims at reducing internal tariffs to a maximum of 5% in 15 years.

The more competitive elements of the Asean business community, however, continue to push governments into strengthening intra-Asean links. While Asean officials haggle over their fishing rights, territorial boundaries and overlapping exclusive economic zones, businessmen are fired up by the emerging prospects of growth triangles. Three major growth areas have been identified, encompassing southern Thailand, Indonesia's Sumatra and northern Malaysia; southern Malaysia, Singapore and Indonesia; and the southern Philippines, Indonesia's Sulawesi Island and Malaysia's Sabah.

Sometimes, too, the problems delaying the official drive for closer economic integration run deeper than mere squabbling over border markers. Lately the behaviour of Indonesia, whose 190-million population is more than that of all other Asean members combined, has been a cause of dissension. Because of its size, Indonesia is the unspoken leader of Asean. But Jakarta's threatening stance towards the Philippines in May over a Manila conference on its in-

ternational Achilles heel, East Timor, gave pause to other Asean officials.

"There is a danger of setting a precedent here," comments one senior Malaysian official. "Once an Asean member state has succeeded in using strong-arm tactics, it could do so again."

The danger is that an Indonesia that sees itself playing an increasingly important role on the global stage as chairman of the Non-Aligned Movement and host of the Apec summit meeting in November may feel less and less constrained by what the rest of Asean feels. As former Malaysian Foreign Minister Ghazali Shafie told the REVIEW: "We are moving towards a SAARC [South Asian Association for Regional Cooperation] situation: call of us regarding the bigger country [in SAARC's case India] with suspicion."

The issue of Indonesian dominance could well come up at the Bangkok meeting, with the vexed problem of East Timor once again the catalyst. In a repeat of the events in Philippines, Thailand has barred



Malaysian Foreign Minister Abdullah Badawi: reinforcing economic links.

activists from entering the country to attend human-rights conferences on Timor and Burma timed to coincide with the foreign ministers' meeting. If the Manila events are anything to go by, however, denying visas to the activists is more likely to draw attention to the Timor question than otherwise.

Despite occasional bilateral flare-ups involving sovereignty and national pride, Asean officials are keenly aware of the need to present a unified voice internationally. This has been one of the group's chief strengths in the period since the end of the Vietnam War in 1975, when strategic realities in the region have undergone seismic changes.

Whatever the differing views within Asean towards China and its seemingly hegemonistic stance at times, whatever the contrasting feelings among the six over what constitutes an acceptable U.S. mili-

tary presence in the region, issues such as the Philippines' territorial claim to Malaysia's Sabah state and economic border differences have been soft-pedalled in the name of greater Asean unity.

"There is a desire to push aside disagreements, to keep on talking to maintain relations [even] without resolving issues," says Philippine Undersecretary for Foreign Affairs Rodolfo Severino. Malaysian Foreign Minister Datuk Abdullah Badawi agrees: "There is nothing quite as satisfying as the Asean deliberative process, where we dispense with prepared texts and actively discuss issues in a friendly atmosphere."

Despite such cordiality on intra-Asean problems, though, the organisation will in all probability remain cautious in its approach to sensitive regional security issues. It is unlikely, for instance, that China's aggressive claims of sovereignty over the South China Sea Spratly Islands, against other claimants including Vietnam, Malaysia, Taiwan, the Philippines and Brunei, will surface at the ARF meeting. Nor, given the Thai government's invitation to a Burmese delegation to attend the Bangkok session, will worries about Burma's military regime be a subject of discussion.

As Australia's ambassador to Bangkok, John McCarthy, says: "You're a long way from ARF getting to problem-solving stage." One day, perhaps, ARF will reach the stage where it can discuss a joint peacekeeping force. But for the moment, the buzz-word from a series of workshops among Southeast Asian officials which preceded the meeting is "preventive diplomacy."

Although ARF will never be a Southeast Asian Nato, the REVIEW has learned that the U.S. is asking Asean states to agree to multilateral military exercises in the region. At the moment, the U.S. has such exercises on a bilateral basis, particularly with Thailand, with which it has a mutual defence treaty. Now, the idea is to have two or more Asean states send their armed forces to exercise with the U.S. Singapore, for example, might send troops to take part in a joint exercise in Thailand. The general message is to assure the region that the U.S. is not withdrawing militarily, and to practice military tactics in a multilateral, Gulf-War style.

And yet, whatever moves it makes towards assuming greater responsibility for regional security, Asean's main preoccupation will continue to be fixed on the one factor that brought its component countries the growing stature they have today: economics. "In significant ways, Asean security depends on economics," says Crone. "Economic security is ultimately dependent on actual peace, and Asean has taken the lead in constructing a regional security forum. But, as everyone knows, you can win the war and lose the peace. Economic security is the key if Asean is to win the peace." ■

ASEAN hits West on rights, gets set to take in Vietnam

By Denis Gray
ASSOCIATED PRESS

BANGKOK — In a slap at the United States and its Western partners, six Asian foreign ministers with booming economies yesterday criticized linking working and environmental conditions to world trade agreements.

The group also said it was ready to admit Vietnam. Thai Foreign Minister Prasong Soonsiri said a committee had been formed to pave the way for Vietnam's admission, but noted Hanoi had not yet applied to join.

The Association of Southeast Asian Nations expressed "serious concern that the linkage of workers rights, labor standards and environmental issues could become a new pretext for protectionism."

But the statement ending the 27th annual ASEAN foreign ministers meeting gave virtually no specifics on how the region should tackle economic and political issues, including the goal of better integrating its booming economies.

ASEAN includes Thailand, Indonesia, Singapore, Malaysia, Brunei and the Philippines. For the first time, the annual session was also attended by the other four nations of Southeast Asia: Vietnam, Cambodia, Laos and Burma.

One focus of the two-day meeting was the possible expansion of the association, formed in 1967 as an anti-communist block during the Vietnam War.

The United States and Australia criticized ASEAN for inviting Burma to the conference, citing that nation's widely condemned human rights record.

The ASEAN statement omitted all references to Burma or the question of human rights, and Mr. Prasong said the ministers discussed human rights only in general terms.

Mr. Prasong said the association's "constructive engagement"

with military-ruled Burma — expanding political and economic contacts rather than isolating Rangoon — would lead to reform.

"Burma is not standing still. I believe it understands the changes that the international community would like to see happen in Burma," he said.

Security guards also tried to prevent four human rights activists from presenting a statement to reporters at the conference yesterday.

The activists, who were attending a private human rights conference, were kept out of an area for reporters at the hotel where the conference was taking place. They were allowed to read their statement outside.

The statement protested what it said were Indonesian abuses in East Timor, the military junta in Burma and the arms race in Southeast Asia.

In deference to Indonesia, the Thai government deported three pro-East Timor independence activists on Thursday. East Timor, which is on an island in the Indonesian archipelago, was annexed by Indonesia in 1976.

Claims of Western protectionism are likely to resurface next week when the ASEAN ministers meet in Bangkok with representatives of the United States, the European Union and other countries.

The statement called on these countries to respond positively to "ASEAN's needs to foster a more meaningful partnership" and expressed concern over measures restricting market access of ASEAN exports.

The ASEAN Regional Forum is designed as a platform for "preventive diplomacy" in heading off potentially serious regional problems. Also taking part will be officials from Australia, Canada, China, New Zealand, Russia, South Korea, Vietnam, Laos and Papua Guinea.

Forum on Security In Southeast Asia

Washington Post July 26, 1994

By William Branigan
Washington Post Foreign Service

BANGKOK, July 25—The United States, the European Union and 16 Asia-Pacific countries including China, Russia and Vietnam today inaugurated a new regional association aimed at heading off future wars in Asia.

U.S. officials praised the first meeting here of the 18-member ASEAN Regional Forum as a potentially important development in maintaining stability in the vast area and building new post-Cold War institutions along lines advocated by President Clinton.

But diplomats said it remains to be seen whether the disparate grouping, which plans to convene annually, will be able to produce anything concrete and become more than an international talk shop and paper mill.

In a statement issued after the one-day meeting of the forum, Thai Foreign Minister Prasong Soonsiri said it was the first time high-ranking representatives from the majority of Asia-Pacific states had gathered specifically to discuss political and security issues.

The group is built around the six-member Association of Southeast Asian Nations (ASEAN), which was formed

Diplomats said it remains to be seen whether the grouping will produce anything concrete.

27 years ago as a bulwark against Communist expansion in Southeast Asia. It now comprises Thailand, Indonesia, Malaysia, the Philippines, Singapore and Brunei. Although it has become a key political and economic player in the region, it has always shunned any role as a military alliance.

Other members of the Regional Forum include the association's seven traditional dialogue partners: Australia, Canada, the European Union, Japan, New Zealand, South Korea and the United States. In addition, China, Russia, Vietnam, Laos and Papua New Guinea have signed on.

The forum originally was conceived in part as a way for Southeast Asia's economically booming but militarily weak countries to bring China into a web of political and security contacts that would make it more difficult for the huge Communist state to throw its weight around in the region militarily.

In recent years, Southeast Asians have grown increasingly concerned about China's rapid military buildup and its claim to the entire South China Sea and its various islands.

Through the forum, ASEAN and its partners would like to promote transparency in military budgets, forestall arms races, strengthen nuclear nonproliferation measures, exchange nonclassified military information and eventually obtain the participation of all members in the U.N. Conventional Arms Register.

However, while China "endorsed" the forum, it appeared to give it a lukewarm welcome. In a speech to the forum today, Chinese Foreign Minister Qian Qichen cautioned that it should not try to resolve internal conflicts and said China favored a "gradual approach" toward developing "practical means of cooperation."

U.S. and Vietnam Foreign Chief to Meet

Talks Will Be the First Ones Since the Communist Victory of '75

By HENRY KAMM

Special to The New York Times

HANOI, Vietnam, July 9 — Secretary of State Warren Christopher is scheduled to meet with the Vietnamese Foreign Minister in Bangkok this month, senior Vietnamese officials disclosed today. The meeting would be the first between the foreign-policy chiefs of the former foes since the Communist victory in 1975.

Deputy Foreign Minister Le Mai, who oversees relations with the United States, declined to confirm formally that the meeting was set. But he said in an interview, "I think there is a high possibility."

Mr. Christopher and the Vietnamese Foreign Minister, Nguyen Manh Cam, will be in the Thai capital to attend consultations among 18 nations on security matters after the annual foreign ministers' meeting of the Association of Southeast Asian Nations.

The high-level Vietnamese-American meeting was arranged during a visit here earlier this month by Assistant Secretary of State Winston Lord and Hershel Gobel, the Deputy Secretary of Veterans Affairs. Their talks were part of a longstanding effort to normalize Vietnamese-American relations, which took a major step forward in February when President Clinton lifted the trade embargo that had been in force since the end of the Vietnam war.

Liaison Offices to Open

Mr. Mai said liaison offices — the precursors of embassies — would be opened in Hanoi and Washington once American officials found a suitable building here.

The United States owns the building of its former consulate here in Hanoi. But Mr. Mai said "dozens of families" lived in the building now and it would take time to relocate them.

"We think there should be an interim solution," he said. United States officials here are looking for interim quarters.

The diplomat who has been named to head the American office, James H. Hall, is visiting. Now the director of the State Department's Office of Vietnam, Laos and Cambodia, he served as an adviser during military service in South Vietnam.

Vietnamese officials said they expected the liaison offices to open within a month or two but that they doubted Mr. Clinton would soon raise them to embassy status.



Reuters

Nguyen Manh Cam

Seeking at long last to normalize relations with the Americans.

"The division in American society on the question of Vietnam remains deep," an official said, speaking on condition that he not be named. "It will take some time."

But he said Vietnam saw the difference between a liaison office and a full-fledged embassy largely as one of name, and that it was ready to give the top American representative here the same access to Government leaders he would have if he were an ambassador.

Mr. Mai said Mr. Lord and Mr. Gobel had come to Hanoi this month "to thank the Vietnamese people for their cooperation" in working to resolve the issue of the 2,231 Americans still listed as missing from the war in Indochina. Despite both officials expressing satisfaction with the continuing progress, leaders of American veterans organizations who accompanied them "had a different opinion."

The Deputy Minister said Vietnam had agreed to two requests made by the officials and the veterans' leaders. One was for greater unsolicited efforts by the Vietnamese, particularly in searching through the records of various ministries for clues to the fate of the missing. The Hanoi Government also agreed to appeal to its

citizens to come forward with any information they might have on a missing serviceman's case.

Concerns Over Instability

Mr. Mai said Vietnam was concerned about instability in Cambodia but was determined to remain "disinvolved." Vietnam invaded Cambodia in December 1978 and overthrew the regime of Pol Pot, the leader of the widely feared Khmer Rouge. It withdrew its last troops in 1989.

The Deputy Foreign Minister said that the agreements reached in 1991 on a transition to peace in Cambodia had committed all major and regional powers to preserving the country's stability, and Vietnam would adhere to the "multilateral approach" even in seeking protection of the ethnic Vietnamese there. Vietnamese are widely resented in Cambodia and have fallen victim to mass killings there since last year.

The Deputy Minister said that in discussing human rights, Mr. Lord had asked for information on the well-being of four Vietnamese imprisoned for political offenses. He told the Americans that the four were in good health.

Ten Americans are imprisoned here, some for political offenses. A European diplomat with connections to Vietnamese officials said the authorities were nervous about possible opposition activity by former Vietnamese citizens visiting from the West.

Mr. Mai said Vietnam would recognize as foreign nationals only those emigrés who had taken legal steps to divest themselves of Vietnamese citizenship.

The American Presence

Alluding to Vietnamese concern about American interest in human-rights cases here and possible linkage to trade privileges, the Deputy Foreign Minister said he considered Mr. Clinton's decision to extend most-favored-nation status to China as "suitable to international trends."

Mr. Mai disputed a widely held view that Vietnam's eagerness for an American presence here was based on a desire to use Washington as a counterbalance to China, Vietnam's historic enemy. He said it would be bad diplomacy to play off one big power against another now that the cold war is over.

"All major powers, without exception, should be able to play an active role in Southeast Asia, and none should have a feeling of being left out," he said.

Mr. Mai said Vietnam and the United States had agreed to recognize ownership of Government assets in each others' countries and that senior legal officials would meet in Bangkok on Aug. 1-3 to work out details.

WN TIMES 7/6/84 P. A15

Top-level U.S. delegation lauds search for MIAs

GI combing crash site for American remains cites Vietnamese cooperation

By Bruce Stanley
ASSOCIATED PRESS

KHAM DUC, Vietnam — The Russian-built helicopter throbbed and whined as it settled gently into a clearing hacked from the jungle floor.

Members of a high-level U.S. delegation climbed out into the suffocating humidity and into a lesson in a postwar generation's resolve to find clues to Americans still missing from the conflict.

Earlier, the visitors had munched on bagels and cream cheese as they flew in cool comfort from Hanoi to the central Vietnamese city of Da Nang aboard the Boeing 707 that Vice President Al Gore usually uses.

Now, Assistant Secretary of State Winston Lord, Deputy Secretary of Veterans Affairs Hershel Gober and representatives of five veterans organizations were hiking along a rough mountain trail 15 miles east of Laos.

Part of a 35-member American delegation, they were in Vietnam

to discuss normalizing U.S.-Vietnamese diplomatic relations, severed since the war's end in 1975. The major obstacle: the estimated 2,231 missing U.S. soldiers.

After two days of talks, Vietnam pledged to resolve MIA cases more quickly in return for diplomatic recognition by Washington and trade privileges, delegation members said Sunday.

Their discussions over, the Americans had come to a place where six Americans and an unknown number of Vietnamese civilians reportedly died when their cargo plane slammed into a ridge in May 1968.

In the shadows of a virgin forest, they found 15 American and 60 Vietnamese MIA specialists digging and sifting methodically through buckets of red dirt for evidence of the aircraft's fate.

For Army Spec. Bruce Clark, 25, of Pittsburgh, the visitors were a welcome distraction.

"When you're out here and you're busting your tail ... to see this many important officials

come out to compliment what you're doing, to really see what you're doing, it gives us some motivation to drive on," he said.

Spec. Clark's father, a disabled war veteran, was wounded in the same province, Quang Nam-Da Nang, where Spec. Clark now digs for answers to the fate of the missing.

The site is the size of two football fields, tilted at a treacherous 75-degree angle. Jagged stumps of newly cut trees cover the ground. Excavation team members toil in temperatures of up to 110 degrees and trust a web of ropes to keep them from tumbling down the mountainside they share with poisonous snakes.

"If anybody ever criticizes these people around me, they've got a hell of a fight on their hands," said Mr. Gober, referring to those who have questioned the sincerity of U.S. efforts to investigate MIAs.

"It's a very emotional thing for me because you're digging for my guys, the guys that I served with, and I thank you for that," Mr.

Gober, a Vietnam veteran, told the young team members.

The dig's results so far include part of an engine turbine, a possible flight suit and a pistol grip. Specialists will try to match these items with a specific aircraft, said the team leader, Army Capt. Mario Garcia, 31, of Tampa, Fla.

The site also has yielded human teeth and a piece of tibia bone, Capt. Garcia said. Forensic anthropologists will determine if they are likely to be those of Americans and possibly send them to the United States for further study.

"It's an extraordinary effort," said Mr. Lord, struggling to catch his breath after climbing from the excavation site back to the mountain top. "There would be no criticism of the amount of effort if people could see the dedication and professionalism."

The Vietnamese also deserve credit, Spec. Clark said.

"We have had nothing but cooperation," he said. "They have gone out of their way to help."

LEISURE & ARTS

When in Hanoi, Skip the Museum and Go for Coffee

By SARAH TILTON

Hanoi, Vietnam

It was by accident that Nguyen Van Lam became an art collector. Books were his hobby. And when he wasn't looking for rare books, he was busy starting a cafe in the heart of Hanoi's old quarter. But some of his patrons couldn't pay, and gave him paintings in lieu of cash for long hours spent drinking coffee and talking.

Forty years later, Mr. Lam is still serving some of the best coffee in town, and on the walls of his small, dimly lit establishment hangs an outstanding collection of modern Vietnamese art. Connoisseurs skip the city's Fine Arts Museum, a disappointing trudge through propaganda, and go directly to Cafe Lam. And unlike the shiny new bars and restaurants springing up around the city, the one-room Cafe Lam is both an institution and an education.

Mr. Lam opened his coffee business in late 1949 when he moved to Hanoi from the countryside. He began with just a sidewalk stand and later expanded to a cafe on

ability to combine Western and Asian techniques has been a strong influence on younger artists. Their legacy now covers much of the chipped and peeling walls at Cafe Lam.

The collection represents several generations of Vietnamese painters and is a lesson not just in art, but also in Vietnamese history. There are oils, watercolors, abstracts, calligraphy and landscapes of the Vietnamese countryside and extraordinary Halong Bay. The first generation of artists studied in Paris or under French teachers at the Ecole des Beaux Arts. The school later became the Hanoi College of Fine Arts and guided a new group of students during the war against the French. Yet another generation, many of them self-taught, came of age during the war with the U.S.

Each of the almost 1,000 paintings in his ever-expanding collection holds special memories for Mr. Lam, and he has no plans to take advantage of Vietnam's growing art market. Standing beneath a beaded curtain that leads to their living room. Their personal quarters are furnished with an opium bed, a fan, a couch, two chairs, some of Mr. Lam's books, stacks of Chinese and Vietnamese ceramics and a seemingly impossible number of paintings.

Some of the art is in the cafe, but if you want to see the full collection ask Mr. Lam or his wife to take you behind the beaded curtain that leads to their living room. Their personal quarters are furnished with an opium bed, a fan, a couch, two chairs, some of Mr. Lam's books, stacks of Chinese and Vietnamese ceramics and a seemingly impossible number of paintings.

The works survived the American war in Vietnam in good condition—Mr. Lam moved them into an air-raid shelter for safe keeping. It's not as clear, however, if the collection and the landmark home on one of the historic 36 streets that make up the city's original ancient quarter north of Hoan Kiem Lake, the Lake of the Restored Sword, will fare as well in the '90s.

Cafe Lam is ensconced on the eastern edge of the old quarter, a short stroll from the lake. It is one of thousands of charm-



ing but dilapidated buildings, some of them dating back to the 15th century, when the streets were named for the tradesmen who set up shop there: Silk Street, Flower Street, Paper Street. Even now, the best silk shops are on Hang Gai Street, and for the chopped-fish restaurants try Cha Ca Street, literally "Fried Fish Street."

But not everyone wants to live in an overcrowded architectural museum that lacks even the most basic amenities. Thus, with land prices skyrocketing and eager developers desperate to secure space in downtown Hanoi, construction cranes now crowd the skyline.

Mr. Lam fears that old Hanoi, much of which can now only be seen in the Phai paintings on his walls, will soon be completely obliterated as conservationists lose the battle against the wrecking ball. "The American bombs were not very destructive compared to the way money is now destroying the city. The bombs did not destroy too many old trees and buildings. Now money is ruining Hanoi. I am sorry for the old buildings, the old trees."

Although the artists are gone, the cafe still attracts a loyal clientele who sit on miniature stools clustered around seven worn wooden tables. Ceiling fans keep the house cool in summer. You can

also sit outside and watch the pedicel and hawkers ply the tree-lined street.

Nguyen Khuyen, editor in chief of the Vietnam News, has frequented Cafe Lam since his student days. He remembers the walls before they were covered with modern masterpieces. He remembers the day when the painters stopped by for a drink. Decades later, this remains his cafe choice, a familiar haunt where he is sure to run into friends. But his main reason for coming to Cafe Lam is the coffee, as he boasts that he drinks it "straight," a form that many foreigners find a bit too robust. Even a few sips of the potent brew are contraindicated for those with head conditions.

Mr. Lam learned to make coffee from his father. He serves it hot, iced, black or as is common in Vietnam, with a layer of sweetened condensed milk in the bottom of the cup. He points out that he can make coffee to suit French or Vietnamese taste.

What makes his coffee special? "It takes time to make good coffee. I choose the beans myself and dry them by a small flame and then grind them." Now years old and semiretired, he has taught two of his seven children to carry on the tradition. The cafe, open daily from 6 a.m. to 10 p.m., also offers Coca-Cola, beer, Ovaltine and fresh-squeezed orange or lemon juice.

The Lams keep a visitors' book in the back room. A medley of travelers, admirers and museum curators have filled it pages with sketches, tributes and messages in every language. One guest has these words: "One is drawn to the cafe when the masters wandered in and out changing a painting for a coffee and probably a good dose of encouragement and support. Your role has had an historic equivalent in every period in every place which seems to bring us all together."

In an increasingly commercial city, the house of Lam is one of the last places you can glimpse old Hanoi and bask in the romance and somnolence of an age that is but gone.

* * *

Getting there: Coming from the direction of the Metropole Hotel or the Government Guest House, the Cafe Lam is a block and a half north of Cathay Pacific's office on Pho Ly Thai To, a main avenue that continues into Nguyen Huu Huan. The cafe, faded yellow with green shutters, is on the west side of the street. A cadmium yellow signboard hanging over the window shouts "CAFE" in bright red letters. The sign also has the address and two large words in blue: *rang xay*, meaning roast and ground.

Ms. Tilton, formerly an editor of the Shanghai Star, has been traveling in Thailand and Vietnam.

The Mobile Guide

*Cafe Lam*

Hung Voi Street. In 1956, Mr. Lam bought the building at 60 Nguyen Huu Huan where he still lives and works.

The cafe became a gathering place for students and artists in the '50s, a turbulent time as French colonial rule was coming to an end and Vietnam was taking control of its own destiny. Many of the great names in Vietnamese painting passed through here: Nguyen Sang, Nguyen Tu Nghiem, Van Cao and Bui Xuan Phai, renowned for his scenes of Hanoi past. These artists were among the last students of the Ecole des Beaux Arts de L'Indochine, founded in Hanoi by the French in 1925. While their work reflects the French training, their

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HO CHI MINH CITY, Vietnam (AP) — Vietnam has made faster progress in amassing clues as to the fate of missing Americans since Washington lifted its 19-year economic embargo, officials said Monday.

But a top-ranking American delegation, which announced a \$200,000 U.S. government gift to help provide Vietnamese veterans with artificial limbs, said it wanted concrete evidence that progress was being made.

Nguyen Hong Linh, head of the Vietnamese MIA office in Ho Chi Minh City, said ordinary Vietnamese are more enthusiastic now about turning over documents, photographs and battlefield souvenirs that may help resolve some of the remaining American MIA cases. But precise details were unclear.

"The lifting of the embargo has already given us very favorable conditions for our work," Linh said.

Hershel Gober, deputy secretary of veterans affairs, headed the 350-member delegation on a four-day trip that focused on ways to intensify Vietnam's cooperation on the MIA issue. The group comprised some of the highest-ranking U.S. officials to visit Vietnam since the end of the Vietnam War in 1975.

Deputy Foreign Minister Le Mai said last week that results from the two searches for clues about MIAs conducted after the embargo ended Feb. 3 were among the best in five years.

Linh said local police offered Vietnamese investigators the use of a motorboat for river travel to interview possible witnesses of a live American reportedly held in captivity.

The report proved false, but the eagerness of police to cooperate stemmed from the good will President Clinton earned by removing the embargo, Linh said.

Representatives of five American veterans organizations disagreed with Clinton's decision to end the sanctions, which was based partly on the likelihood that Vietnamese cooperation would improve.

"There are members of this delegation ... who did believe that this step was a mistake," said Assistant Secretary of State Winston Lord. "But they will be looking ... for concrete results in the future to demonstrate that this in fact is true."

Gober said the \$200,000 U.S. Agency for International Development grant would be given to the Thu Duc Prosthetics Center in Ho Chi Minh City.

"I can't think of a better use for investment in foreign aid than something like this, taking care of people who are in many cases former soldiers of the South Vietnam Army," Gober said. The United States fought to defend former South Vietnam against attacks from the Communist North.

Outside the center's workshop, Gober shook hands with about 20 Vietnamese who had lost both their legs. A few were white-haired veterans of the war against colonial France that ended in 1954. Others were children who said they had stepped on mines left behind after the American war.

Gober, a Vietnam War veteran who was wounded in battle, spoke to the amputees in both Vietnamese and English. He and Lord each lifted legless men into wheelchairs paid for in part with Americans.

Rick Schultz, legislative director of the Disabled American Veterans, showed off his U.S.-built wheelchair to curious Vietnamese. Schultz, a Cincinnati native, lost most of both of his legs in the war.

"Obviously they're not as good as we have in the United States," he said of the artificial limbs made in Vietnam. "They're functional. That's what counts."

The U.S. delegation flew Monday afternoon to the Laotian capital of Vientiane for a one-day visit.

Lord and James Wold, deputy assistant secretary of defense for POW-MIA affairs, met earlier Monday with the foreign minister of Laos, Somsavat Lengsavat, to discuss the fate of Americans unaccounted for in Laos.

The United States lists 2,231 Americans as missing from the war, including 1,641 in Vietnam, 504 in Laos, 78 in Cambodia and eight in China. U.S. officials say about 1,100 were killed in action but their bodies were never recovered. Another 422 were lost over the open sea and are believed dead.

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HANOI, Vietnam (AP) — Fifty U.S. and Vietnamese officials met for three hours Saturday in negotiations designed to chart the future course of relations between the two former battlefield foes.

After a round of pleasantries, the discussions got down to the serious business of Americans missing in action from the war.

The 35-member U.S. delegation, including members of the five largest veterans organizations in the United States, proposed that Vietnam do more on its own to resolve the fate of the MIAs.

Among other things, the United States asked the Vietnamese side to turn over more remains and battlefield documents that might help locate others.

President Clinton has made the granting of most-favored-nation trade status to Hanoi and the establishment of full diplomatic relations contingent on Vietnam's cooperation and on progress in the fullest possible accounting of the MIAs.

"Speaking on behalf of the American veterans ... The majority of us think that if we can resolve the POW-MIA issue, the war will truly be over," said Hershel Gober, deputy secretary of the Department of Veterans Affairs and head of the U.S. delegation.

"I think there has been some tangible results," Gober told reporters later. "I think the Vietnamese are making an effort. I think there are people in America that think they can do more."

Representatives of the veterans groups took a wait-and-see attitude and said they were opposed to normalization of relations and most-favored-nation trade status pending more cooperation.

"The tone has been ... that there needs to be more unilateral work done by the Vietnamese," said John F. Sommer, Jr., executive director of the American Legion, the largest U.S. veterans organization with 3.1 million members and 16,000 posts across the United States.

Both the U.S. and Vietnamese MIA Offices in Hanoi, who work together, have been saying that the Vietnamese are cooperating and that there has been progress.

Vu Chi Cong, head of the Vietnamese MIA office, said that during Saturday's negotiations the Vietnamese "explained very clearly that we do as much as possible."

"We have no interest in hiding documents," he said. "We have a lot of difficulty in finding documents."

"About 50 percent of the remains returned are from the people, so the help of the people increased sharply, and this is a very positive factor," said Le Mai, deputy foreign minister and head of the Vietnamese delegation.

But the American Legion's Sommer wasn't convinced.

"We haven't seen the progress that others have claimed has been made," said Sommer.

The two countries are preparing to open diplomatic missions after signing a formal agreement last month. These would be upgraded to full embassies once President Clinton is satisfied with progress on the MIA issue.

Le Mai said the American mission can open whenever its members find housing in Hanoi.

The U.S. delegation, which arrived Friday, included Winston Lord, assistant secretary of state. Delegation members also met with Do Muoi, secretary-general of the Communist Party, and with Vietnamese war veterans, who pledged their support in trying to determine the fate of the American MIAs.

So far this year, Vietnam has turned over 39 sets of remains believed to be those of Americans. It turned over 67 sets of remains last year and 35 in 1992. Since the war ended in 1975, Vietnam has turned over 623 sets, according to records of the U.S. MIA office in Hanoi. Of that number, 287 have been identified as Americans.

The United States lists 2,231 Americans as missing in action from the war, including 1,641 in Vietnam, 504 in Laos, 78 in Cambodia and 8 in China.

But witnesses have confirmed that half those were killed in action, even though their remains have not been recovered, U.S. officials say. More than 400 others were lost over the sea and their remains probably will never be recovered, officials say.

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HANOI, Vietnam (AP) -- Vietnam has pledged to intensify its efforts to resolve the cases of Americans missing in action from the war in return for diplomatic recognition by the United States and most-favored-nation trade status, high-level U.S. delegation members said Sunday.

The 35-member American delegation wound up two days of major talks in Hanoi, then flew south to Da Nang for a first-hand look at a joint U.S.-Vietnamese field search for MIAs.

The delegation included representatives of the five largest U.S. veterans organizations, who oppose normalization of relations with Vietnam until they are satisfied with the progress being made in the fullest possible accounting of the MIAs.

Members of the delegation told a news conference they were encouraged by Vietnam's pledge of increased cooperation, especially to set up its own research team to search for more documents that could solve the fate of the MIAs. The United States has its own team investigating the MIAs, often jointly with the Vietnamese.

But U.S. officials are urging the Vietnamese to do more on their own in obtaining documents and in getting villagers to turn over more remains they are believed holding.

"We realize we will never be able to account for every American that was lost in the war," said Hershel Gober, deputy secretary of Veterans Affairs and head of the U.S. delegation. "We have to resolve this issue and it's to the interest of Vietnam to continue to cooperate, which they are, so that we can move to some of the other things."

The talks, described as cordial, straightforward and productive by the delegation, brought the one-time battlefield foes closer to diplomatic ties.

Relations between the two nations have warmed in the past year, especially since President Clinton lifted a 19-year trade embargo last Feb. 3. They appear to be at their best since the end of the war nearly 20 years ago.

The delegation acknowledged progress has been made in accounting for the MIAs, but it echoed Clinton's position that more results must be obtained before the two nations could restore full diplomatic relations and sign a trade agreement.

But the United States appeared to be softening its stand on human rights in Vietnam. The U.S. State Department last February cited the Communist government for severely limiting freedom of speech, press, assembly and association, and holding political prisoners.

"This issue was raised, and it's one of great importance to the United States," said Assistant Secretary of State Winston Lord. "This is a global approach. We do not single out Vietnam or any other country. It expresses the values of the American people."

"But we pursue this without arrogance or without trying to impose our system or our values on others, but rather to discuss universal principles. And it's in that spirit that we have made clear all along with the Vietnamese that we wish to take up this issue."

Lord said he had "good discussions" with members of the Vietnamese Foreign Ministry and "again underlined the importance of the issue."

"I did raise some specific cases for purpose of access or more information about them," he said. "Many of these have been presented by members of the House and Senate of our Congress and they (the Vietnamese) indicated they would try to get us more information on these subjects."

Lord said has proposed another round of talks on human rights soon at a time and place to be set. Talks were held previously in New York last February.

But Gober said, "the only issue is POW-MIA in this delegation." So far this year, Vietnam has turned over 39 sets of remains believed to be those of Americans. It turned over 67 sets of remains last year and 35 in 1992. Since the war ended in 1975, Vietnam has turned over 623 sets, according to records of the U.S. MIA office in Hanoi. Of that number, 287 have been identified as Americans.

The United States lists 2,231 Americans as missing in action from the war, including 1,641 in Vietnam, 504 in Laos, 78 in Cambodia and 8 in China.

But witnesses have confirmed that half those were killed in action, even though their remains have not been recovered, U.S. officials say. More than 400 others were lost over the sea and their remains probably will never be recovered, officials say.

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Copyright 1994. The Associated Press. All Rights Reserved.

HANOI, Vietnam (AP) — A Vietnam War veteran will head the new U.S. diplomatic mission in Hanoi, a senior State Department official told Communist leaders Saturday.

James Hall, 54, head of the department's Office of Vietnam, Laos and Cambodia, was presented to Communist Party Secretary-General Do Muoi as the top envoy to Hanoi.

Hall was introduced by Assistant Secretary of State Winston Lord, part of a U.S. delegation on a four-day visit to Vietnam to assess progress in accounting for Americans missing in action in the Vietnam War.

The United States and Vietnam signed agreements last month to open diplomatic missions in Hanoi and Washington, a preliminary step toward full diplomatic relations. The United States is expected to open its mission in Hanoi as soon as offices and housing can be arranged.

But President Clinton has made the granting of further ties contingent on progress in obtaining the fullest possible accounting of the MIAs.

At talks Saturday, the 35-member U.S. delegation, including members of the five largest U.S. veterans organizations, proposed that Vietnam do more on its own to resolve the fate of the MIAs.

The U.S. team also asked the Vietnamese to turn over more remains and battlefield documents that might help locate other MIAs.

"The majority of us think that if we can resolve the POW-MIA issue, the war will truly be over," said Hershel Gober, deputy secretary of the Department of Veterans Affairs and head of the U.S. delegation.

Vu Chi Cong, head of the Vietnamese MIA office, said the Vietnamese "explained very clearly that we do as much as possible.

"We have no interest in hiding documents," he said. "We have a lot of difficulty in finding documents."

Since the war ended in 1975, Vietnam has turned over 623 sets of remains, of which 287 have been identified as Americans, according to U.S. records.

The United States lists 2,231 Americans as missing in action from the war, including 1,641 in Vietnam, 504 in Laos, 78 in Cambodia and eight in China.

But U.S. officials believe half those were killed in action, even though their remains have not been recovered. More than 400 others were lost over the sea and their remains probably will never be recovered, officials say.

Hall served extensively in Vietnam.

In 1965-66, as an Army captain, he was based in the Mekong Delta as a district adviser to the U.S.-backed South Vietnamese regime that was defeated in 1975 by the Communist North Vietnamese.

He was with the U.S. Agency for International Development in Phong Dinh Province in 1971-72. He was an economic officer at the U.S. Embassy in Saigon from 1973 until he left 10 days before the fall of the South Vietnamese capital on April 30, 1975. He married a Vietnamese woman, Phan Thanh Huong, in 1973. The couple has three daughters.

Hall later served as a diplomat in China and Burma. He was promoted to his current position in June 1993.

Labour Law Passed

But does not replace Decree 233!

By Tina Diaz

HANOI: After 18 years of deliberation and more than 30 rejected drafts, Vietnam's National Assembly has finally passed the controversial Labour Code which is expected to curb the recent outbreak of strikes and weed-out unwanted foreign investors who are physically abusing staff.

At least 20 of the 70 strikes across Vietnam over the past two years have erupted at foreign enterprises, some of which, according to a government official, were in protest over "mediaeval" conditions imposed against Vietnamese workers, which set wage packets well below the legal minimum wage.

Mr Ha Ngoc Que, legal affairs assistant to the Minister of Labour, Invalids and Social Affairs, said one foreign employer made a staff member stand outside under the hot sun for half a day as a punishment for arriving to work late.

"Many Deputies are not satisfied with certain situations especially the question of maltreatment of the workers," Mr Que said.

"Of course it's not the majority, but it's not just one or two foreign managers. They beat them ... slap them as one kind of punishment, keep them standing under the sun for half a day ... it's mediaeval."

"It is unlawful. It is against 233," he said referring to Decree 233, which was introduced in June 1990. This Decree

set special labour regulations for enterprises with foreign investment.

Under the government decree, foreigners are required to follow regulations including rules on minimum wages, annual leave and maternity leave.

The new labour code, which will take effect from January 1, 1995, following six months of fine tuning, will primarily affect the local Vietnamese private and State-owned sectors.

Foreign investors, however, will have to follow both the new Law and still be required to operate under Decree 233 which in its original form is now considered inappropriate. In light of the new labour code, it will have to be abolished or revised, according to Mr Que.

He said foreign investors would be required to follow both the new labour code and must also abide by Decree 233, meanwhile the Government will get to work on a new set of regulations for foreigners.

"The Government started working on the decree last year and had hoped to revise, or replace it in six months in conjunction with the implementation of the labour code" he said.

The new Labour Law is a cluster of codes comprising 17 chapters, which address issues including occupational health and safety, training and vocation, employment contracts, wages, compensation, female

labour, trade unions and labour disputes.

The right to strike and the minimum wage are among the issues to be finalised by the government over the next six months.

Foreign investors are required to pay a minimum wages to unskilled workers of (\$35 in HCMC and \$30 in Hanoi) however, according to Mr Que, many foreigners do not comply with this.

He said some companies pay \$20 a month to workers and others were applying the basic wage to skilled Vietnamese employees. With the increase in the cost of living, the basic wage for an unskilled workers at a state enterprises is expected to increase to \$50 a month when the code is finalised.

This will lift the basic wage at foreign enterprises, Mr Que said.

Maternity is another issue to be addressed in Decree 233. At the moment, women working for foreign funded enterprises are offered three months maternity leave, which is less than those working in the domestic sector, who get a full six months.

The government considered six months too long and has reduced it, under the new code, to between four and six months, a move which is likely to increase the period of maternity leave time for women employed by foreign companies.

Annual Leave as specified under Decree 233 is currently three weeks. The Vietnamese sector allows only 10 days. Under the new labour code, staff are offered 12 days for the first five years' work, and a bonus day each year thereafter. Decree 233 will be adjusted in line with this.

Strikes under the new labour code are permitted. Workers can legally strike if more than 50% of the employees vote to walk out. Strike action at a company must be declared 24 hours before the workers walk out.

Social Security contributions is a major complaint of investors about Decree 233 provisions. Under these special financial contributions employers for employees contribute 15% of their employees gross salary for a social security fund.

However, Mr Que would not say whether this would change following the approval of the new labour code.

Fines and the cancellation of licenses, come with the introduction of the new code if companies, local or foreign violate the law.

He said it was the government's intention to gradually edge towards one uniform system for foreign state enterprise and private enterprises, but this would not happen in the next two years. ■

Accounting in Vietnam

Many potential investors are experiencing difficulties in unravelling the Vietnamese accounting system. As the result, investors are baffled and confused and unable to make up their mind one way or the other.

Khang Luu provides a first step towards unravelling the problem

Over the last several years there is an increasing interest in investment opportunities in Vietnam. However, many potential investors are experiencing difficulties in unravelling the Vietnamese accounting system. As a result, many investors are baffled and confused and unable to make up their mind one way or the other.

VIETNAM ACCOUNTING SYSTEM

Most of the other countries in the world have adopted the International Accounting Standards (IAS) as the basis of their accounting system. However, while there are no Vietnamese accounting standards, there is a Vietnamese Accounting System (VAS) which evolved from a cash based system. The country used to be, and still is very much a cash based society, banking and other credit activities are still in their infancy and are predominantly the reserve territory of foreign individuals and foreign invested companies. The State Owned Enterprises (SOE) and local private enterprises mainly use the local VAS accounting system while companies with foreign invested capital tend to opt for the international standards - In order to use the IAS, each company must register its entire accounting system with the Ministry of Finance within 180 days of obtaining their investment licence from State Committee for Co-operation & Investment (SCCI).

LOCAL SYSTEM

The Vietnamese Accounting System shows exactly how each type of transaction should be accounted for, and also specifies all the main accounts and account codes to be used. (see Fig 1)

INFLEXIBLE

Almost all enterprises in Vietnam have 31 December as their financial year-end and any deviation from this must

be specifically approved by the Ministry of Finance.

The law requires that the financial statements of local enterprises should include a balance sheet, profit and loss account and stock (inventory) statement.

For many local enterprises, their financial statements are not audited whilst the SOE's are exempt from audit. This raises potential problems of the reliability of financial statements and comparison between enterprises will be difficult, due to lack of disclosure of accounting policies.

Even though the local system does allow a certain extent of accounting uniformity amongst the enterprises in Vietnam, it is not flexible.

Whilst the system is adequate for a stagnate and centrally controlled economy, it is inadequate for a developing economy like Vietnam since many companies are embarking on new ways of doing business and entering into new types of businesses everyday, and a new method of financial accounting and management is needed in many of these enterprises for their survival in the new market economy.

LEASING

The system is rather inflexible in that it has been unable to cope with the new type of business such as leasing.

Currently in Vietnam, leasing is still very much in its infancy, and a lease, finance or operating lease, is regarded the same as a term rental. Effectively rendering it an off balance sheet item, as opposed to the practise under the IAS of capitalising a finance lease.

ACCRUALS AND PROVISIONS

The local system lies half way between the cash base system and the accruals' system according to the IAS methods. The underlining principle of the system is to account for taxation purposes however it does not follow the fundamental accounting concept of prudence.

Accordingly, Vietnamese Accounting System has an account for deferred expenses but not deferred income.

The extent of accruals accounting in the local system is only as far as the recognised expenses that are unpaid, (for example utility expenses and unpaid salaries).

Since it does not follow the prudence concept, the system does not allow for provisions, example provision for doubtful debt, deferred taxation and provision for contingent liabilities. These items are taken into consideration but only in memorandum accounts, thus they will remain firmly off balance sheet items.

As a result many Vietnamese companies appear more profitable than they really are. To really understand their true financial position, it is necessary to investigate the off balance sheet items as well as those items on balance sheet.

RESERVE ACCOUNTING

One of the main abnormalities in the Vietnamese Accounting System is that even though the principle is to maximise profit for tax purposes, the system allows quite a significant amount of reserve accounting (see Fig. 2).

The source of these reserves can come from the examples (Fig. 2) but the main contributions to these reserve accounts are derived from the net profit of the enterprise.

From a practical point of view, it can be argued that these reserves are in effect the provisions, the deferred income and the contingent liabilities that exist under the IAS. However, these reserves are always general and never for specific identifiable expenses.

DEPRECIATION

The method of calculating depreciation of fixed assets is specified by law. The Ministry of Finance has issued Circular #31 which regulates the maximum depreciation rate for each type of asset.

Each enterprise must apply to the Ministry of Finance if it wants to use a higher rate than specified in the circular. However this does not mean that the enterprise must apply this rate strictly - it can use a higher or lower rate than that stated in the circular as long as the asset is fully depreciated within the specified time limit!

For example, the right of use of land of an enterprise is 20 years hence on straight line basis the rate used should be 5% per annum.

However, some enterprises have done the following:

First year - Depreciation charged at 4%, arguing that the depreciation is a fair representation of the wear and tear of the asset.
Subsequent year - The depreciation rate will be higher than 5% to ensure that the asset is fully depreciated within 20 years. Therefore, the accounting policies especially for fixed assets of some enterprises may look very odd.

GOODWILL CONSOLIDATION

In Vietnam, the concept of merger and acquisition accounting is still relatively new. As such, the system does not give guidance on how to account for goodwill; indeed consolidation accounting, is still very new in

ACCOUNTING CODES		
Code	Account description	
10	Fixed Assets	
20	Stock	
30	Expenses	
40	Other Income and Expenses	
50	Cash and Balance at Bank	
60	Receivables and Payables	
70	Income	
80	Capital and Reserves	
90	Borrowed Capital	
Under the above main headings there are numerous sub-accounts that are more specific. Example,		
Account	Sub A/c	A/C Details
50	501	Cash: VN Dong
	503	Cash: Foreign Currency

Fig 1

Vietnam. Currently, Vietnamese companies treat their subsidiaries and associate companies purely as investments. Participation in joint ventures are also reflected at the original cost.

Therefore the value of these investments could be worth a fortune or alternatively could be worth absolutely nothing - the only way to determine this is to obtain further information about these investments.

BANKING

Currently, the local system clarifies long-term bank loan as Borrowed Capital rather than a Long-term Liability and can be misleading for the user of the accounts.

The Vietnamese system does not require the disclosure of the amount of secured loans outstanding and the term of these loans. This lack of information and the other abnormalities in the method of accounting mentioned have proved a stumbling block for foreign banks in Vietnam to attempt to make a proper credit assessment on many of the local enterprises,

the banks are understandably reluctant to grant long term loans to these enterprises.

INTERNATIONAL ACCOUNTING STANDARDS

Vietnam is currently seeking foreign investment for many of its SOEs and the government is keen to set up a stock exchange in the near future where it is hoped that some of the SOE may be listed.

The government recognises that many potential foreign investors are reluctant to invest in the companies because they do not understand their financial position, and as a result the Ministry of Finance is proceeding to revamp the existing accounting system, which according to our sources in the Ministry, the new system will be basically the adoption of IAS plus a number of relevant Vietnamese regulations. This new system is expected to be issued and take effect by the end of this year. Even with a new accounting system that is in line with the rest of the world, it will not mean that the changes will be

effective overnight. Vietnam needs to modernise its training programme to produce accountants with the necessary skills to implement the new system.

Recently the Vietnam Accountants Association was set up and membership opened to all local accountants, and it is hoped that this professional body will regulate and monitor the training and professional

development of its members. This major reform coincided with the Government intention to make independent audit compulsory for all SOE. In this connection, in May 1994 KPMG Peat Marwick was given a 100% foreign owned company licence to carry out audit in Vietnam and an additional local audit company, AISC, was set up in Ho Chi Minh City. ■

Khong Luu is Senior Accountant in charge of KPMG Peat Marwick - Vietnam (Hanoi) office.

Fig 2

RESERVES

These are some of the more common examples:

Debit	Credit	Transaction
Cash (a/c no. 50)	Reserves (a/c no. 83)	Donation by a government organisation
Tax payable (a/c no. 64)	Reserves (a/c no. 83)	Reduction of tax payable
Accounts Receivables & Payables (a/c no. 60)	Reserves (a/c no. 83)	Payment received from a debt written off previously or an unclaimed creditor

Within the main heading of reserves, there are the following sub-accounts:

Account	Purpose
831 Capital expenditures' fund	Purchase of fixed assets
832 Reserve fund	Purchase materials for production and workers' wages
833 Welfare fund	Welfare expenditure of the workers and their family
834 Other reserve	

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Accounting Standards and Principles in Vietnam

by Tracy Evans

The development of accounting principles and standards in Vietnam as an aid to the financial management of enterprises is an ongoing process. Over time, the Government intends to bring Vietnamese accounting standards fully into line with International Accounting Standards. Accounting standards and principles applied by business enterprises operating in Vietnam can be divided into two principal categories.

First are the standards that can be used in foreign enterprises. This group includes joint-venture enterprises, 100% foreign-owned enterprises, and foreign contracting parties in a Business Co-operation Contract.

The second category is the standards and principles applied by State Owned

Enterprises, Co-Operative Enterprises and Vietnamese private enterprises.

The degree of flexibility in the accounting systems and principles that can be adopted by a foreign enterprise is much greater than for a Vietnamese enterprise. That disparity can be attributed to the need to make reliable and understandable financial information available on a timely basis and to allow the accounting systems to be consistent with those applied in the home country of the foreign investor.

Special Principles

The basic principles relating to accounting for all enterprises in Vietnam were outlined in the Ordinance on Accounting and Statistics issued in October 1988. The Ordinance lists the types of

accounting records that were to be maintained and the basic reports that were to be produced. However, it states little about the underlying principles.

The Government of Vietnam issued Decree No. 18 CP in effect from April 16, 1993 specifying the regulations in relation to direct investment by +69 foreigners in Vietnam. The decree includes a section on Standards of Accounting and Statistics and lays down the basic guidelines relating to accounting in, and the auditing of, foreign invested enterprises. On October 23, 1993 the Ministry of Finance issued Circular No. 84 TC/CDKT which provided guidance on how the principles related to accounting and auditing, outlined in Decree No. 18 CP were to be applied.

The major points of Circular No 84 TC/CDKT are as follows:

- A foreign enterprise may follow the accounting standards of another country. But the standards applied must comply with international accounting principles and standards. Also, they must be widely accepted principles and standards and are subject to approval by the Ministry of Finance.

Therefore, a company from the United States can elect to follow its own generally accepted accounting principles with no need to comply with Vietnamese accounting principles in preparing annual financial statements. This represents a widening of the permissible practice. Any foreign enterprise did not want to follow Vietnamese principles, it



was limited to a choice between the principles and standards of the United Kingdom, the United States, France and Russia. None of the internationally accepted systems will be exactly the same as Vietnamese taxation law. Therefore differences will usually exist between the "accounting profit," reported in annual financial statements and "taxable profit," which is the basis for calculating the tax on corporate profits.

- It is necessary for foreign enterprises to register the accounting system they will use with the Ministry of Finance. The documentation submitted to the Ministry of Finance should include a chart of accounts, notes on how transactions are to be recognized and recorded in the accounts, financial statement formats, accounting record formats and accounting document flowcharts.
- The documentation relating to the registration of the accounting system is required to be submitted to the Ministry of Finance within 180 days of the investment license being granted. The Ministry of Finance is then required to respond to the application within 30 days.
- When recording business transactions, a foreign enterprise can use a language other than Vietnamese (e.g. English) and can use a currency other than Vietnamese Dong (e.g. US dollars). However, these matters are subject to the approval of the Ministry of Finance. An application to use another language or currency should be made at the same time as the accounting system registration application.
- Annual reports prepared by foreign enterprise, which must include a balance sheet, profit and loss account, and a directors' report, must be submitted to the appropriate government agencies within three months from the end of the financial year.

- Each foreign enterprise is required to have an accounting department, and to be headed by a Chief Accountant/Financial Controller. The chief accountant is appointed by the board of management of the enterprise and is must have necessary qualifications in finance and accounting.

Once an accounting system has been approved by the Ministry of Finance any subsequent changes to the system require re-registration. Changes can only be implemented from the beginning of the financial year. It is not possible to make changes to the accounting system during a particular financial year or to make changes without first receiving approval from the Ministry of Finance.

In respect to the financial period that can be adopted by a foreign enterprise, all businesses will have December 31st as their financial year end (which is the year end for taxation purposes), unless they elect another date, subject to approval by the Ministry of Finance.

Audit Requirements

Decree No. 18 CP and circular No. 84 TC/CDKT state that the annual report prepared by the foreign enterprise should be audited by an independent auditing company. In order to comply with the law, the directors of the enterprise must ensure that an auditor is appointed and that the audit is completed within three months of the end of the financial year.

Audit services for foreign invested enterprises are currently provided by a small number of local Vietnamese firms. Ernst & Young was one of the first international accounting and auditing companies to be granted a license to practice in Vietnam by the State Committee for Co-operation and Investment and the Ministry of Finance.

The financial reporting and monitoring systems currently applied to foreign enterprises in Vietnam comply with

international practices in many respects. However, there are still significant differences in the degree of flexibility that enterprises in Vietnam have in relation to accounting matters internationally.

It is essential for the continued growth and stability of the Vietnamese economy, and to ensure a level playing field, that strong and consistent financial standards are in place and that compliance with these standards is monitored on a regular basis. The standards should focus on the principles underlying the transactions of businesses and not on the specific methods used to actually record those transactions.

Ho Chi Minh City-based Tracy Evans is a Senior Accountant at Ernst & Young.

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Troubled Waters

Philippine offshore oil search roils China

By Rigoberto Tiglao in Manila

Oops — it was supposed to be a secret. No announcement was planned when Manila granted an oil exploration permit on May 8 to Vaalco Energy of the United States and its Philippine subsidiary, Alcorn Petroleum and Minerals, covering a portion of the disputed Spratly Islands. Discretion shouldn't have been difficult — it was just a six-month licence to conduct what is described in the industry as "desktop" exploration: collating data gathered earlier by other oil companies and the government. The exploration company wouldn't even need to venture into the area.

But it appears that nobody told Alcorn's president, Eduardo Hernandez, to keep the news to himself. Hernandez proudly announced the exploration deal at the oil firm's annual stockholders' meeting. "We want to be there when the cake has not yet been baked," he was quoted by local media as saying.

The next day, a low-ranking Energy Department official confirmed that it was the first such permit in the area, and admitted that exploration was "sensitive" due to conflicting territorial claims by five other countries.

Sensitive it was. A Beijing Foreign Ministry spokesman immediately issued a statement reaffirming China's sovereignty over the area covered by the exploration permit, a swath of the South China Sea 400 kilometres west of the Philippine island of Palawan. Assistant Chinese Foreign Minister Wang Mingfan, in Manila for annual bilateral consultations, lodged a protest with Philippine Foreign Ministry officials. Foreign Affairs Undersecretary Rodolfo Severino said the Philippines "meant no harm nor offence" in granting the permit, as the area was within Philippine territory. But that explanation, he said, was rejected by Wang.

Manila had to back-pedal fast. Returning from an official trip to China on June 19, House Speaker Jose de Venecia — a close Ramos ally — declared that he had achieved "a diplomatic breakthrough" by winning China's endorsement of the principle of "common exploration and development of the Spratlys, while shelving the sovereignty issue." De Venecia said that "to remove the most recent China objec-

tions" to the permit granted to Vaalco and Alcorn, he had "proposed to Assistant Foreign Minister Wang Mingfan that China could be invited to be a partner in the project."

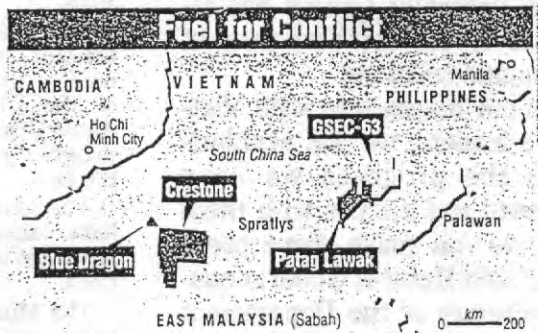
Oil industry executives described the affair as a serious *faux pas*. Little more than a year earlier, after China had stoked the Spratlys dispute by giving a U.S. firm permission to explore for oil in disputed waters closer to Vietnam, President Fidel Ramos went on record as saying that the Philippines favours joint exploration of disputed areas of the South China Sea. By licensing a solo exploration effort, the government made Ramos' remarks appear disingenuous. But the misstep seems to have resulted largely from the political naivete

of government officials. "I don't think the Energy Department officials can even tell the Spratlys from the Paracels," said one executive, referring to another disputed island group in the South China Sea.

When the storm first broke, Energy Department Secretary Delfin Lazaro insisted that there was nothing controversial about the permit since it involved an area within Philippine territorial limits. Alcorn official Ponciano Mathay explained that the company relied on provisions of the 1987 constitution, as well as on a decree issued by former President Ferdinand Marcos declaring the area off Palawan to be a Philippine municipality.

The permit covers what Manila calls the Recto Bank, and includes the Patag, Lawak, and Parola islands. Lazaro told a press briefing that the area was "far from Spratlys," apparently referring to the main Spratly island, in the middle of the sea halfway between Palawan and southern Vietnam. But China, Vietnam and Taiwan claim the entire Spratlys group, a far-flung archipelago of more than 90 islands, islets and shoals that straddles key shipping lanes as well as a possible deposits of mineral wealth. The Philippines, Malaysia and Brunei also claim certain parts of the Spratly island chain. As for the Recto Bank, China calls it Nanshan.

Executives of other oil exploration companies told the REVIEW they were surprised by the issuing of an exploration permit to Vaalco and Alcorn. Discussions among governments' oil-exploration agencies held under United Nations auspices until 1992, said the



Hanoi's Tit for Tat

Vietnam calls it just another oil deal, but Hanoi's decision to award Mobil Oil an oil exploration contract in a disputed portion of the South China Sea could be seen as fighting fire with fire. In any case, Vietnam's move earlier this year angered China, which had leased a neighbouring area to a different United States firm.

A Beijing Foreign Ministry spokesman fired the first salvo in a new war of words on June 16, demanding that Hanoi "stop the acts . . . infringing on China's sovereignty." He charged that Vietnam had jeopardised Beijing's 1992 contract with the Crestone Energy Corp., an independent U.S. company, to explore for oil

in the area, which lies west of the disputed Spratly Islands.

A Vietnamese Foreign Ministry spokesman promptly rejected the Chinese protest, and called on Beijing to "refrain from any statements and actions that may encroach on Vietnam's indisputable sovereignty in this region." Hanoi insists that the Crestone concession is illegal because it covers part of Vietnam's continental shelf.

Hanoi has repeatedly disputed China's claim to most of the South China Sea, but the Crestone deal has provoked some of the most furious protests. The Crestone area lies just east of several Vietnamese exploration blocks, notably one called Blue Dragon which was recently awarded to a consortium led by Mobil.

Le Minh Nghia, head of Vietnam's Continental Shelf Committee, points out that the Crestone block is located only

about 250 kilometres off the southern Vietnamese coast, but more than 1,300 kilometres from China's Hainan Island, the closest undisputed Chinese territory. Beijing gets around this problem by claiming sole ownership of the Spratlys, but Vietnam actually occupies several of the islands closest to the Crestone concession.

China has used its military in the past to settle maritime differences, expelling the Vietnamese from the disputed Parcel Islands in 1974 and from a small reef in the Spratlys in 1988. Hanoi and Beijing normalised their relations in 1991 and signed an agreement last year pledging not to use force to settle differences. But after several rounds of talks to delineate their disputed sea and land borders, little progress has been reported.

■ Murray Hiebert

Vietnam sets war's toll at 3 million dead

HANOI (Kyodo) — Three million Vietnamese soldiers and civilians died in more than two decades of fighting during the Vietnam War, and defoliants and other chemicals turned another 2 million into invalids, a government report says.

It is the first time the Vietnamese government has published an overall estimate of the number of Vietnamese killed in the war that ended with the country's unification under Northern control in 1975.

The United States, which joined the war on the side of South Vietnam in 1961, sprayed large parts of the Vietnamese jungle with Agent Orange and other defoliants to fight the communist North from the air.

The herbicides are believed to have caused some illnesses suffered by veterans and their children.

The Ministry of Labor, War Invalids and Social Welfare said the survey of war deaths and invalids it released Tuesday is in its "initial stage."

About 1 million of the war dead were North Vietnamese soldiers, and the remaining 2 million were soldiers and civilians of the South, it said.

In addition, more than 4 million civilians and soldiers sustained injuries. The report, which decried the use of defoliants as "an extremely shocking fact," put the number of people suffering from their effects above 2 million.

A18 SATURDAY, JULY 2, 1994

Progress Reported In Talks on MIAs

HANOI—U.S. and Vietnamese officials agreed that progress has been made toward making the fullest possible accounting of Americans missing in action from the Vietnam War.

But the highest-ranking U.S. delegation to visit Vietnam since the 19-year trade embargo was lifted in February urged Hanoi to do even more—a condition President Clinton has attached to the establishment of diplomatic relations.

"In our discussions with Vietnam's leaders, we will acknowledge the progress we have achieved and discuss with them how we can make more progress," said Hershel Gober, deputy secretary of the Department of Veterans Affairs and head of the U.S. delegation.

Deputy Foreign Minister Le Mai, head of the Vietnamese delegation, said there are no obstacles to resolving the MIA cases. "I don't see any outstanding issues," he said.

The United States lists 1,641 Americans as missing in action in Vietnam.

—Associated Press

June 29, 1994 Washington Post

Russian Premier Vows Tax Incentives to Lift Sagging Foreign Investment

By Lee Hockstader
Washington Post Foreign Service

MOSCOW, June 27—Alarmed by rapidly falling levels of foreign investment, the Russian prime minister offered a package of tax breaks and legal incentives today to convince Western executives that doing business in Moscow is not a game of Russian roulette.

Prime Minister Viktor Chernomyrdin, in a meeting with the leaders of major Western corporations, said the government would introduce legislation to give foreign-owned firms a five-year tax holiday and subsequent guarantees that tax legislation will remain stable.

In addition, foreign firms would be allowed to own land and be given freer rein

on money transfers. Joint Russian and foreign ventures would be granted duty-free imports of production equipment and materials and the right to retain all hard-currency earnings from their exports.

The prime minister, who is the day-to-day leader of the Russian government and its second most powerful politician, gave no date for the introduction of the legislation.

Nor is it clear what kind of reaction can be expected from the Russian parliament, which is dominated by communists and nationalists unfriendly to Western interests.

Nonetheless, Chernomyrdin sounded a bullish note, saying, "I think that all this will lower the risk for foreign investment in the Russian economy by the end of the year."

The prime minister's remarks, delivered to an elite business group that included top

executives from Coca-Cola, United Technologies Corp. and Citicorp, came as Western investment in Russia is dropping sharply from levels that were not high to begin with.

New foreign investment in Russia this year is expected to be only about \$1 billion, down from \$1.5 billion last year. The cumulative total of all foreign investment in the country is \$2.7 billion. By comparison, the cost of building Euro Disneyland, including loans and the up-front investment by Walt Disney Co., was \$4.4 billion.

Chernomyrdin, just back from the United States, tried to assure investors that Russia's worst troubles with inflation and instability in government are over, and that the investment climate in Russia is ripe for big foreign capital to take the plunge.

With inflation down and a tight budget having passed parliament last week, Chernomyrdin said, "The macroeconomic state of the economy allows us for the first time to tackle the investment climate."

The session was another sign that Chernomyrdin, former boss of Russia's gas ministry who six months ago was heaping scorn on the "market romanticism" of Russia's economic reformers, has jumped on the free-market bandwagon.

Last month, Chernomyrdin pledged to continue the tight money and credit policies that have helped reduce monthly inflation to about 8 percent from more than 20 percent monthly last year.

His austere budget, passed nearly intact by parliament, has infuriated the military and agricultural lobbies, among others.

But he will have his work cut out for him convincing Western businesses that Russia is a promising place to invest their money.

Foreign investors complain about unpredictability of tax, banking and other laws in Russia that seem to change more often than the seasons. Complaints often also are heard about Russian infrastructure, including a telephone system that functions, or doesn't, according to Third World standards.

Moreover, rising street crime, more powerful organized criminal groups and official corruption, notably in Moscow, have scared some investors. Various international surveys have listed Russia as one of the riskiest places for foreign capital in the world.

The business executives are scheduled to meet with President Boris Yeltsin on Tuesday.

Handle With Care

Vietnam's economy keeps soaring, despite repeated warnings from economists that storm clouds lurk on the horizon. The country's performance during the first six months of 1994 has turned out even more robust than last year's, already the strongest since the war ended in 1975.

The government expects GDP to grow 10.5% during the first half, thanks to a winter-spring grain harvest of 11 million tonnes, 1 million tonnes higher than last year's record crop. Industrial output and construction should increase by more than 12%, even though widespread smuggling and antiquated equipment continue to hobble enterprises producing such goods

year deficit of Dong 10 trillion (US\$912 million). That's an increase of about 15%, but economists say the gap is declining as a percentage of GDP, to 6% this year from 7% a year ago. Most of the gap is the result of increased spending to upgrade the country's dilapidated infrastructure and modernise archaic enterprises.

Officials expect the merchandise-trade balance to register a US\$100 million deficit in the first half, even though exports are expected to reach US\$1.6 billion, up 27% from a year earlier. (Vietnam posted a US\$334 million trade deficit for all of 1993.) Rice exports, which struggled early in the year, hit 200,000 tonnes in May, pushing the total to 750,000 tonnes during the first five months.

Despite the surge in grain exports, Vietnam is expected to have difficulty meeting this year's target of 2 million tonnes. But the increased foreign sales, coupled with nearly US\$95 million in subsidised government loans to help food companies buy 1.6 million tonnes of grain, in recent weeks has pushed the farm-gate rice price back to Dong 1,070-1,150 per kilogramme in the southern Mekong delta. A 2-million-tonne surplus there had forced prices down to Dong 900-1,000 in March and April.

First-half imports are expected to have surged 33% to US\$1.7 billion. Although capital goods account for much of the increase, the fastest-growing categories are consumer goods. Motorcycles, for instance, soared nearly 70%. The Asian Development Bank estimates that the current-account deficit will widen to US\$960 million this year from US\$758 million last year.

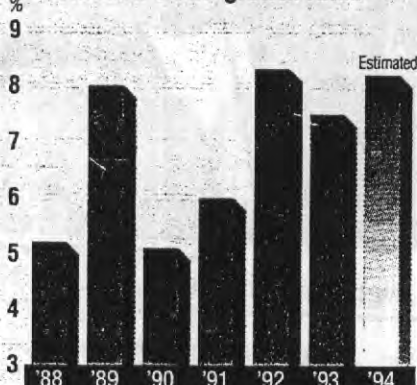
Despite this deficit, the dong remained fairly stable (thanks to central-bank support), depreciating to 10,960 in early June from 10,850 to the U.S. dollar in January. The dong's recent stability, after fluctuating wildly in 1991-92, has prompted calls for devaluation from domestic businessmen and foreign economists who believe this would bolster the country's exports and make local commodities more competitive with cheap imports from neighbouring China.

The lifting of the United States trade embargo in February has spurred foreign investment. In the first five months, the government issued US\$1.5 billion in new licences, bringing the total since 1988 to US\$8.9 billion. However, actual investment remains sluggish, reaching only US\$2.1 billion by the end of last year.

■ Murray Hiebert

★ Speeding Up

Vietnam's GDP growth rates



Source: Asian Development Bank

as textiles, garments and ceramics. Services are expected to soar a whopping 24%.

Economists are confident GDP in 1994 will top the roughly 8% growth of the past two years, although inflation is also expected to increase somewhat. Prices are forecast to rise 6% in the first half, against 5.2% in all of 1993, the first time in over a decade that Vietnam had held inflation to single digits. Interest rates have moved little this year: three-month dong deposits earn 1% a month.

Some 3.8 percentage points of the increase came in February, when the central bank issued more cash to cover higher state salaries and Lunar New Year bonuses. Inflation is not expected to top 10% this year, although it might in the longer term if the state's budget deficit continues to widen.

Although tax revenue is projected to soar a year-on-year 50% in the first six months, the government anticipates a full-

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1.00pm	Trading Day (Continued)
5.00pm	Asian Market Digest
7.00pm	The Asian Wall Street Journal On Air
7.30pm	Money Talks
8.00pm	Far Eastern Economic Review
8.30pm	Asian Market Digest (Continued)
9.30pm	The Asian Wall Street Journal On Air
10.00pm	Money Talks
10.30pm	Far Eastern Economic Review
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GOING HOME WITH
Germaine Loc Swanson

A Voyage So Bitter, So Sweet

By MARIAN BURROS

On a cool, gray afternoon this spring, Germaine Loc Swanson stepped down from the van that had carried her from the airport to the Thu Do Hotel in Hanoi, Vietnam. Her aunt, Vu Thi Nga, 72, who had cared for her as a child, had been sitting in the hotel lobby since early morning. She didn't want to miss this meeting.

As the women wrapped their arms around each other, the older woman rubbed Mrs. Swanson's cheek and cried. They had not seen each other in 40 years. Tears welled up in Mrs. Swanson's eyes but few escaped. She does not cry easily.

Her steely will and her ability to keep her emotions in check are part of Mrs. Swanson's survival technique, honed over 30 years of wars and revolutions that included threats to her life, loss of her homeland and a sad love story.

This trip was a homecoming, the first time Mrs. Swanson, 58, had seen her aunt since 1954. Mrs. Swanson's immediate family fled Hanoi when the Communists took over North Vietnam. From a life of privilege in the north, her family was suddenly plunged into a life of deprivation in the south, experiencing nothing but

hard times until they escaped to the United States just after the fall of Saigon in 1975.

"Do you remember me?" Ms. Swanson asked her aunt in Vietnamese as they embraced.

"You haven't changed at all," Mrs.

Nga replied. "I would recognize you if you were walking on the street. You have your grandmother's walk and body. You have the same face. How can I not recognize you?"

"I thought we would never, never find each other again," Mrs. Nga continued. "But I think your grandmother looks after us and found a way to put us back together. I dream about her all the time and she still comes home and tells me what I should do."

Mrs. Nga, who lives with her husband, a retired Vietcong official,



Lois Raimondo for The New York Times

Germaine Loc Swanson, right, with her aunt, Vu Thi Nga.

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GOING HOME WITH
 Germaine Loc Swanson

A Voyage So Bitter, So Sweet: Return to Vietnam

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raises tea on four acres, taking care of the crops with the help of her six children. Mrs. Swanson said her family was never quite sure what her aunt's husband did because "she wanted to hide it from us."

Mrs. Swanson hoped this pilgrimage would help her come to terms with her past. Her acquaintances in the United States know her as the owner, with her husband, Dick Swanson, of Germaine's Restaurant in Washington, where she serves imaginative Vietnamese and other Southeast Asian foods. Her patrons include the newsmakers who frequent the Sunday morning talk shows as well as the journalists who question them.

Mrs. Swanson's friends know her as a street-smart survivor who has scrambled all her life to make things work out. But they have not known much about her early life. Her story unfolded for her traveling companions, four female friends, as she journeyed through Vietnam.

Mrs. Swanson's life as a young girl was privileged. Her father had two wives: Germaine's mother, who was Vietnamese, and her stepmother, a French-Vietnamese woman. "Many wealthy Buddhist men in Hanoi had 4 to 10 wives as well as girlfriends," Mrs. Swanson said. "Everyone knew we had two mothers; they got along very well."

The brothers and sisters and stepbrothers and stepsisters — 14 in all — and both mothers lived together in a very large house with as many as 13 servants. Mrs. Swanson, the eldest child, went to French schools.

Her father, Philippe Ngo Thanh, owned furniture factories before World War II and owned several other businesses from 1945 until 1954, when he was also the police commissioner in Hanoi for the French colonial government.

"I left Hanoi expecting to come back," Mrs. Swanson said, "and I never did and it was very important for me. I felt homesick and I wanted to find my roots. I still can see the Japanese walking down the street during the war and the bombing — the good times and the bad times. I remember my father more in Hanoi than in the south. He was a macho businessman. In the south, he was depressed, jobless and helpless."

Mrs. Swanson's father died in 1970; her mother, Dang Thi Tuyet, lives with Mrs. Swanson's brother Bernard in Fairfax, Va.

"The main thing," she said, "is I wanted to see my aunt, whom I owe a lot to, and to visit my grandmother's grave."

But the trip to her grandmother's



Dick Swanson Collection

Germaine Loc Swanson at 15 at her home in Hanoi in 1952.

grave proved to be too far, so Mrs. Swanson plans to see it on another trip. "It's important to Vietnamese to find their ancestors' graves and restore them," she said. "Then your soul feels more peaceful."

Mrs. Swanson and her aunt spent the day after her arrival together, walking arm in arm, exchanging confidences, soaking up each another's presence. The younger woman wore a hot pink and turquoise warm-up jacket and pants and running shoes, the older woman black pants, a black knitted sweater and a rust knit scarf wound around her neck and head.

They went to a cousin's house, once owned by Mrs. Swanson's father. Mrs. Swanson noticed part of an altar that had belonged to her grandmoth-

er Vu Thi Thuoc. She said her grandmother "did everything she could to make money, from selling opium to furniture." And she indulged her grandchildren at every opportunity. They spent weekends and summers at her home in the country. "My grandmother would give us anything we wanted," she said.

Mrs. Swanson also visited the village of Gia Quat, where her grandmother had a pagoda built. After years of neglect, the bell tower was rebuilt in 1993; the yellow and brown pagoda with its open-air altar was restored. Most of the houses in the village today are of concrete; those made of bamboo were destroyed during the war.

As the van drew closer to the vil-



Lois Raimondo for The New York Times

Mrs. Swanson visited the bell tower of her family's pagoda.

lage and Mrs. Swanson began to recognize the surroundings, her excitement was palpable. There was the jackfruit tree she used to climb and the bell in the pagoda tower she used to ring.

"Now I am getting goose bumps," she said. "Now I remember a lot of stories. I remember when I was a year old and my brother was 3 months old and we were very sick so my grandmother put us in two baskets and took us to the pagoda and prayed for us for three days."

"This is my place," she said, after she had prayed at the pagoda. "I found something that I lost. It's good for me to see this now because in two or three years everything will be changed." The Government plans to build a hotel across the road.

The next day, a visit to the last house the family lived in before they left Hanoi was not so joyful. Once a single-family dwelling, the house now has a different family in each room; all of the people are related to Mrs. Swanson's grandmother. The ghost of its 19th-century grandeur was visible in the high ceilings, the banister, the walls that surrounded the property.

As she went from room to room, Mrs. Swanson described what each had been: "This was our maid's quarters; there's our back entrance; this was our kitchen." Then she slid down the banister from the third floor, just as she had done 50 years before, giggling all the way.

Some of her father's French books are still on the shelves in the library, which is now hung with a clothesline. The holes in the ceiling and the crumbling plaster changed her mood. "It

makes me sad," she said. "No one wants to maintain the whole house when all they own is their own room. I have no more good memories of how it looked. I shouldn't have come back to see the way it is now. I thought it would be the same."

This is the house Mrs. Swanson's family left behind when Dien Bien Phu fell to the Vietminh in 1954. Her father was certain they would be back in six months. They never returned.

Fleeing was nothing new to them. They had gone to the countryside in 1944, when the Japanese occupied Vietnam. And then again in 1945, when a former employee, who was also a Vietminh guerrilla, went to their house with a squad of soldiers and a machine gun and ordered the family into the backyard, prepared to kill all of them. Only the pleading of Mrs. Swanson's mother saved them. The former employee sent the soldiers away, told the family to stand at one end of a trench that had been dug there during World War II, and threw a grenade into the other end. When he left, the family again escaped.

In 1953, a year before the French occupation ended, Mrs. Swanson, who was 16, moved to Saigon, lied about her age and became an army nurse. When 15 members of her family fled Hanoi a year later, she became their main support.

"That was the time of my life when I was supposed to be enjoying myself," she said, without any bitterness. "I had to suppress everything."

Mrs. Swanson made at least 100 jumps as a paratrooper nurse before resigning from the army in 1962,

when she was pregnant with her first child. She then became a freelance reporter for Reuters, Time-Life, NBC and CBS during the Vietnam War. In 1969 she married Dick Swanson, an American photographer who was covering the war for Life magazine. In 1972, she and her husband moved to Bethesda, Md., with their 6-month-old son, Justin, and her son, Philip, 10, the child of another American.

Four days before Saigon fell in 1975, Mr. Swanson returned to Saigon and managed to help 12 members of his wife's family flee the country, getting them on one of the last flights out of Tan Son Nhut airfield.

As the tour moved south along the coast, there were more relatives to visit and places to see — places that Mrs. Swanson had visited as a reporter during the Vietnam War: Da Nang, Nha Trang, Cam Ranh Bay. What surprised her was not the damage done by the war, but how shabby the country looks.

"All the American military bases are gone and the land is empty," she said. "The country is rundown and I am disappointed by the lack of cleanliness. It was so beautiful."

It was on the road to Saigon that Mrs. Swanson, for the first time, talked about her oldest son's father, an American helicopter pilot who was already married. All of the control that she had exercised for years was released, and she cried. "I've had a hard life," she said, "but I'm luckier than many Vietnamese women. I ended up married to Dick and I have kids that are fine and I have love."

She would have returned sooner, she said, but she was afraid. "I didn't think it was safe for me because my father was police commissioner, I had French citizenship and the Vietminh tried to kill us. But after the embargo was lifted I heard from people that it was safe to go back and I would be free to go anywhere."

"I'm happy because I've seen my family. I see the country is blooming and becoming richer and people are more independent."

But she was disappointed, too. "The biggest surprise was to see how Hanoi has changed," she said. "The people used to be so sweet and invite you to their house to have tea. It didn't matter who you were. They don't do it anymore. After so many years of war, the North Vietnamese culture is gone. Now it is more like the south: more selfish, commercialized and ignorant, not warm and welcome."

Now that she has seen Vietnam, Mrs. Swanson has no desire to live there again. She maintains contact with her Vietnamese friends, many of whom are scattered around the world. But, she said, "I'm considered an American now."

In Vietnam, They Keep The Faith

Religious Are Given A Limited Freedom

By Steve Raymer
Associated Press

DA NANG, Vietnam—On a balmy Sunday afternoon, an overflow crowd of more than 750 Roman Catholics waits for the Rev. Anthony Nguyen Truong Thang to deliver his third sermon of the day.

Outside, hundreds more worshippers kneel on the concrete beneath the twin spires of the Da Nang Cathedral as the Mass begins in this provincial seaport, where Portuguese and Italian missionaries brought Christianity to Indochina in 1615.

Thang walks among his people, quietly shaking hands and exchanging greetings with parishioners who say they are now free to pray in this officially atheistic country—but within fairly stringent limits.

"Christians were severely persecuted by the Vietnamese kings at Hue long before there were communists," said Thang, who recently returned to Da Nang after 13 years of forced internal exile because of his close ties to U.S. military chaplains during the Vietnam War.

"Now we are accused by the authorities of being collaborators with the French or the Americans," Thang said. "Still, we keep our faith."

Keeping the faith in Vietnam, one of the world's last communist countries, isn't easy. After the collapse of the U.S.-backed Saigon government in 1975, seminaries were closed, churches and temples seized and hundreds of clergy members sent to reeducation camps.

Thang's sermons, which are subject to government censorship, are homilies that mix traditional gospel with mild social activism—compassion for orphans, street children and drug offenders.

Nineteen years after the war, the Catholic schools of Thang's parish—the largest in southern Vietnam—remain closed. Nuns who run a kindergarten in an adjacent convent say that they are subjected to police surveillance and that their mail is censored.

Says a U.S. State Department official in Washington, "The bottom line is that the Vietnamese are freer today to worship . . . so long as Viet-



A Vietnamese woman—a Buddhist like 65 to 80 percent of those in her country—offers prayers. Still, at least 6 million Vietnamese are Catholic and are served by priests such as those below, who work in Da Nang.



namese do not publicly undermine the government's authority."

The United States has made progress on human rights a condition for normalizing relations with Hanoi since President Clinton lifted a 30-year-old trade embargo against Vietnam in February. A senior U.S. official said that while "long-term trends are in the right direction," many abuses

clerics in the former imperial capital of Hue and the oil boom town of Vung Tau for challenging government control of Buddhist organizations and distributing anti-government leaflets. A Hue court late last year imposed stiff prison sentences on five dissident Buddhist monks and five laymen for rallying the largest public demonstration in the nation since the war's end.

Government officials continue to restrict the movement of Catholic priests, including Thang, within their parishes. Hanoi has feuded publicly with the Vatican over the appointment of Nguyen Van Thuan, a nephew of South Vietnamese President Ngo Dinh Diem, as archbishop of Ho Chi Minh City, Vietnam's top Catholic post. The Vatican says it reluctantly has agreed to give Vietnam a say in appointing bishops for the nation's 6 million Catholics.

The Washington-based Puebla Institute, a lay Catholic human-rights group, lists about 130 Buddhists and Catholic and evangelical Christians in Vietnam who are either in prison or under house arrest for their religious activities. Although Hanoi has allowed a few dozen priests and ministers to be ordained in recent years, their numbers are dropping while their congregations are growing.

No one seems to dispute that more Vietnamese than ever are flocking to houses of worship. Even Communist Party chief Do Muoi has been seen at Tran Quoc Pagoda in Hanoi and the cathedral in Phat Diem, although critics call his periodic visits a cynical ploy to enlist religious leaders' support for party reforms.

need to be righted before Washington grants full diplomatic recognition to Hanoi's one-party government.

International human-rights groups accuse Hanoi of cracking down on religious activism even as the government encourages large-scale foreign investment and moves to liberalize Vietnam's moribund economy.

Hanoi recently jailed 11 Buddhist