



## Mekong hydro to help relieve Thailand's power plight

Hydropower from Laos and elsewhere in the Mekong region is shaping up as a major element in Thailand's electricity planning. Much greater reliance on imported power is seen by planners as one of the keys to meeting future domestic power demand.

Current government power projections see a doubling of generation supply between now and 2021, to nearly 60,000 MW. Imported hydro, largely from Laos but also from China and possibly Myanmar, is earmarked to contribute 5,000 MW of the additional 18,000 MW needed between 2011 and 2021 (Table 1).

Not only is Thailand looking to Laos as a source of power to meet future shortfalls, but so

too is Vietnam, which arguably is even more desperate to ensure a sufficient supply of power to sustain its high economic growth.

From a regional perspective, a more ambitious vision of an integrated power system among the Mekong countries and including southern China, as promoted by the Manila-based **Asian Development Bank**, sees Laos playing a central role as a source of power and as a transit country for cross-border transmission. (See *Vietnam Focus*, April 2007.)

But such large-scale dam and hydro power development also raises major environmental concerns. There are great fears that the vitally important ecosystem of the Mekong River

and its tributaries and other rivers will be irreparably damaged. Of particular concern are large Chinese dams and hydropower facilities in operation and planned on the upper Mekong River in Yunnan province.

### Reducing reliance on gas

For Thai power planners, increasing the proportion of imported hydropower in the supply mix is one of the ways to reduce the now heavy reliance on natural gas. Natural gas currently fuels 65 per cent of power output, and there is significant concern whether sufficient supply will be available longer term to sustain this level of reliance (Table 2).

Thailand now takes gas from its fields in the

Gulf of Thailand and imports gas from Myanmar. More gas is scheduled to come on stream from the Gulf of Thailand and also from the joint development area between Thailand and Malaysia farther south. Possibly more may be supplied from Myanmar, and imported gas in liquefied form is very likely after 2010 although this is an expensive option.

Another possibility is gas from the contested Overlapping Claims Area with Cambodia in the northern Gulf of Thailand. That said, longstanding negotiations with Cambodia are making very little, if any, progress.

Efforts to resolve the maritime dispute between Thailand and Cambodia over the potentially >>>



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**Vietnam Focus** is published monthly  
Sold by subscription only  
Produced by Menas Associates staff

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ISSN 1754-1530  
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gas-rich Pattani Trough in the Gulf of Thailand have made little headway. Thailand's energy minister, **Piyasavati Amranand**, says that there has not been much progress. (See *Vietnam Focus*, July 2007.)

Coal is likely to increase its role, although community and NGO opposition will have to be overcome. Nuclear power is also being put forward.

Planners want to see renewable energies play a larger role as well. Thailand is already quite successful in encouraging small-scale power plants using biomass, for example, but even in the best of circumstances, future growth of renewables can make only a small dent in new power demand.

As a result of all this, imported power is taking on greater significance in planning. Thailand currently draws on 300 MW of imported power from the Nam Theun-Hinboun and Houay Hoa hydro plants in Laos. There is also a link with the Malaysian system on the southern border for 300 MW of two-way power supply.

### Ambitious plans for Laos

Laos is the key source of new imported power. Another 920 MW from the Nam Thuen 2 hydro scheme now under construction are to enter the Thai system by the end of 2009 and a further 615 MW from the Nam Ngum 2 hydro project by early 2011 (Table 3).

The Nam Theun 2 hydro power project, a 1,070 MW hydro power plant in Bolikhamsai and Khammouane provinces, is being built with the assistance of **World Bank** financial guarantees. Partners in the project include **Électricité**

Table 1: Thai power development plan, 2007

	NEW DOMESTIC PLANTS (MW)				NEW IMPORTS (MW)	TOTAL CAPACITY (MW)
	GAS	COAL	NUCLEAR	SPP*		
2011	-	-	-	-	597	34,037
2012	1,400	-	-	200	220	35,857
2013	1,400	-	-	200	963	37,800
2014	1,400	700	-	200	261	40,361
2015	1,400	1,400	-	200		42,186
2016	1,400	700	-	200	390	44,127
2017	3,500	-	-	200	500	47,119
2018	2,100	-	-	200	510	49,888
2019	3,500	-	-	200	530	52,829
2020	1,400	-	2,000	100	550	55,251
2021	700	-	2,000	-	570	58,321
<b>Total</b>	<b>18,200</b>	<b>2,800</b>	<b>4,000</b>	<b>1,700</b>	<b>5,091</b>	

Note: Plan includes Electricity Authority of Thailand plants and independent power producers (IPPs)

\* SSP = small scale power producers, <90 MW capacity using conventional and renewable fuels

Source: Ministry of Energy

**du France**, the Laos government, and Thai companies **Italian-Thai Development Corp.** and **EGCO**. Several other Laos hydro projects are at various stages of construction, development, and planning.

Environmental groups are concerned about Nam Theun, but the World Bank and other supporters say that in fact the project is a template for environmentally and socially sensitive development as well as an important source of revenue to benefit the country as a whole.

Longer term, the Laos government has ambitions for a huge increase in hydro power capacity and exports. **Vientiane** plans nine new dams and a tenfold expansion of its hydroelectric capacity.

Laotian Energy and Mines Minister **Bosaykham Vongdara** told a forum in Bangkok in early September that the new dams will generate 7,000 MW of electricity, of which 5,000 MW will be sold to Thailand, and the rest to Vietnam and Cambodia, Laos is negotiating to supply Thailand with a further 2,000 MW after 2015. >>>

## Table 2: Thai fuel generation mix, 2006

	OUTPUT (GWH)	PROPORTION (%)
Natural gas	98,917	64.83
Coal and lignite	24,468	16.04
Fuel oil	7,808	5.37
Renewable energy	8,200	5.37
Hydro	7,950	5.21
Laos (import hydro)	5,152	3.38
Diesel	77	0.05
<b>Total</b>	<b>152,572</b>	

Note: Includes off grid

Source: Thai Ministry of Energy

Laos currently has 700 MW of hydroelectric generating capacity. A majority of the new dams, including the Nam Theun 2 project, are or will be built on tributaries of the Mekong River. Some estimates suggest that the mountainous and river-rich country, half the size of France, is capable of generating 20,000 MW of electricity.

### Myanmar part of the picture?

Power supply from Myanmar is also on the agenda, although the interim Thai government set up following the September 2006 military coup has downplayed these plans.

The former government of **Thaksin Shinawatra** was keen to strengthen relations with Myanmar and promoted the idea of joint hydro projects

on the Salween River, which forms part of the border between the two countries, but the current Thai government has distanced itself from Myanmar, taking up the more traditional Thai position towards its neighbour. It has asserted that Laos, rather than Myanmar, would be the likely source of new imported power.

Nevertheless, in April 2007, Myanmar began implementation of the 7,110 MW Tar-Hsan hydro project on the Salween. This Myanmar-Thailand joint venture is one of the two signed with Thai companies in the past two years. The other is the 1,500 MW Hut Gyi on the same river, signed with **EGAT**. Electricity generated from the two plants would be sold mainly to Thailand.

Development of hydro projects may be undermined by opposition to the Myanmar government by Karen and Kareni ethnic groups in the region of the dams. Conflict between the central government and rebel ethnic groups has a long history and is far from being resolved. Road improvements to serve the projects may nevertheless help the government better control the region.

### Grenade attack at dam site

This context was underlined in early September when a grenade attack was made by two men on a motorbike at the construction site of the Hat Gyi dam, killing one EGAT technician. This follows earlier an explosion in May at the site that had no reported fatalities, and a death last year when a surveyor stepped on a landmine. In response to the latest attack EGAT has evacuated workers, putting the project on hold indefinitely. The Myanmar government blamed the rebel **Karen National Union** (KNU) for the

## Table 3: Thai power supply from Laos

PROJECT	SALE TO THAILAND (MW)	COMMENCEMENT
<b>IN OPERATION</b>		
Nam Theun-Hinboun hydro	187	March 1998
Houay Hoa hydro	125	September 1999
<b>UNDER CONSTRUCTION</b>		
Nam Thuen 2 hydro	920	December 2009
		PPA* signed
Nam Ngum 2	615	March 2011
		PPA signed
<b>UNDER DEVELOPMENT</b>		
Nam Theun 1	523	2013
		PPA under negotiation
Nam Ngum 3	440	2013
		PPA under negotiation
<b>PLANNED</b>		
Nam Ngiep	260	2013
Hongsa Lignite/coal	1,400	2012
Num Tehun Hinboun expansion	320	2011
Xe Pian-Xe Nam Noi	390	2013
Projects in southern Laos	600	-

\* Power Purchase Agreement

Source: Thai Ministry of Energy

grenade attack. KNU secretary-general **Pado Manza** has denied the claim, however, saying that the Myanmar government and Karen **DKBA** forces were active in the area.

Thai Energy Minister **Piyasavasti Amaranand** has urged EGAT to expedite power plant

development in Laos if the Myanmar plan is left uncertain. At a recent conference in Bangkok he said that Thailand's current priority was to buy hydro-electricity from Laos. "We are brothers. We speak the same language and it's a lot easier to work with Laos. Myanmar will be further beyond on the time horizon."

## Media prize for “correct line”

*Quan Doi Nhan Dan* (People’s Army newspaper), the official publication of the Vietnamese Ministry of National Defence, has won one of the three top media prizes for a story “describing the insidious nature of hostile Western influences,” the official English-language *Vietnam News* reported.

The article, published last year, accuses overseas Vietnamese groups and other organisations of paying Vietnamese dissidents and spreading anti-state propaganda to stir up discontent about the Communist party. The award points to Hanoi’s continued political conservatism and the inability of the Communist party to countenance domestic opposition to its monopoly.

The award ceremony was presided over in late August by Prime Minister **Nguyen Tan Dung**, who praised the winners as defending the nation.

“Vietnamese mass media have helped to thwart the activities of the country’s enemies,” he said at the ceremony. “The state, the government, the party, and the public all recognise the crucial role performed by the mass media.”

Prime Minister Dung earlier this year rejected the idea of allowing uncensored private media, saying it was necessary to control information to prevent wrong views that could “cause damage to the nation.”

At the August ceremony - the first time that such awards have been made - Dung asserted that “the Vietnamese mass media is more and more developed ... It has helped to improve friendly relations with other countries, promote Vietnam’s image abroad, and has helped to thwart the activities of the country’s enemies.” Dung noted as well, “In time to come, the Party Central Committee’s Publicity and Education Commission and relevant authorities must ... help press organisations and journalists fully understand their social responsibilities ... and work with them to improve their professional standards.”

The four authors of the army’s winning article, including editor-in-chief Major-General **Nguyen Quang Thong**, were also awarded a cash prize of 20 million dong (\$1,250).

The other two top prizes went to a series of stories about the life of factory workers published in *Nhan Dan* newspaper, the official publication of the Communist Party, and a documentary about a metallurgy worker shown on state **Vietnam Television**.

Another first prize was also awarded to director **Tran Cam** of Vietnam Television for a documentary entitled *Flower of Iron*. “I feel very happy today to receive this first-ever award,” said Cam. “The mechanic **Nguyen Dang Cuong** [the main character in the documentary, who was recognised for his creative work in metallurgy] is a beautiful flower of the country and our responsibility as journalists is to honour such flowers.”

The **Vietnam News Agency** won a second prize for a picture set named “Australian girl >>>

## Bush upsets Vietnamese

US President **George Bush**’s invocation of Vietnam War pullout to defend his Iraq strategy has rankled the Vietnamese. Bush touched a nerve when he invoked the Vietnam War in a speech to American military veterans warning that death and chaos will envelop Iraq if US troops leave too quickly.

“One unmistakable legacy of Vietnam is that the price of America’s withdrawal was paid by millions of innocent citizens whose agonies would add to our vocabulary new terms like ‘boat people,’ ‘re-education camps,’ and ‘killing fields,’” Bush told a veterans group in Kansas City, Missouri.

The Bush administration has been careful to avoid association of its Iraq policy and war with the US war in Vietnam, Laos, and Cambodia in the 1960s and early 1970s. But in his speech in Kansas City, Bush chose to focus on the 1973 withdrawal of US troops from Vietnam - and the subsequent Communist victory in South Vietnam and also Cambodia in 1975 - as a caution against withdrawal from Iraq.

A range of people interviewed by media in Vietnam, where opposition to the US-led invasion of Iraq is strong, said that Bush drew the wrong conclusions from the long, bloody Southeast Asian conflict.

“Doesn’t he realise that if the US had stayed



in Vietnam longer, they would have killed more people?” said **Vu Huy Trieu** of Hanoi, who fought American troops. “Nobody regrets that the Vietnam War wasn’t prolonged except Bush.” He asserted that US troops could never have prevailed here. “Does he think the US could have won if they had stayed longer? No way,” Trieu said.

When asked at a regular media briefing to comment on Bush’s speech, Vietnam’s Foreign Ministry spokesman **Le Dung** said, “With regard to the American war in Vietnam, everyone knows that we fought to defend our country and that this was a righteous war of the Vietnamese people. And we all know that the war caused tremendous suffering and losses to the Vietnamese people.” >>>

Dung said Vietnam hopes that the Iraq conflict will be resolved “very soon, in an orderly way, and that the Iraqi people will do their best to rebuild their country.” At beginning of the US invasion in Iraq, Hanoi issued a brief statement saying that the United States would win the military war but not the political one.

**Ton Nu Thi Ninh**, former chairwoman of the National Assembly’s committee on foreign affairs, said Bush was unwise to stir up sensitive memories of the Vietnam War. “The price we, the Vietnamese people on both sides, paid during the war was due to the fact that the Americans went into Vietnam in the first place,” Ninh said.

Some three million Vietnamese, civilian and military, in the north and the south are estimated to have died in the Vietnam War. The United States suffered 58,000 military dead.

Reflecting on Cambodia and the takeover by the murderous **Khmer Rouge** was even more

controversial. Many Cambodians believe that the United States bears a large responsibility for creating the conditions that led to the Khmer Rouge regime and the “killing fields.”

They refer to the heavy bombing of the country in the 1970–72 in order to break the supply chain and troop reinforcement from North Vietnam through eastern Cambodia to southern Vietnam: the famous Ho Chi Minh Trail. This campaign, they argue, seriously destabilised the country’s leadership and ability to combat the Khmer Rouge Communists.

Laos, where the Communist **Pathet Lao** took control in 1975, was similarly engulfed by the larger Vietnam War.

Meanwhile, the Ho Chi Minh Trail, what the Vietnamese call the Dong (East) Truong Son Road, will benefit from preservation and restoration work under a new master plan. The scheme aims to classify and promote the value of historical relics scattered along the road.

performing *Cheo*,” Vietnam’s traditional opera, by **Nguyen Trong Chinh** from the *Vietnam Pictorial Review*, and two third prizes.

Nearly 50 news articles published in state-controlled media in 2006 were awarded prizes. The winning stories, one of which came from an amateur journalist, covered the whole media spectrum of print, television, radio, and electronic media. State-run publications dominated the top awards over privately run state-censored publications that have taken

small steps to investigate official corruption.

Three first prizes, 11 second prizes, and 19 third prizes were presented to journalists and media groups for their commitment to covering current affairs in 2006. There were 955 nominations from 171 press organisations for awards, 88 of which came from non-media professionals.

Vietnam has nearly 700 press organisations, all of which are strictly controlled by the government.

## FOREIGN RELATIONS

### Managing Beijing

Closer ties and co-operation remain the official watchwords between Hanoi and Beijing, despite the irritations and tensions that surface in the relationship periodically.

Ongoing issues – most prominently the disputed maritime border claims in the South China Sea – are an undertow in relations between the two countries, often hidden from public and foreign view. Reciprocal visits by leaders and officials affirm that relations are sailing well.

In early September in Beijing, for example, Chinese Vice President **Zeng Qinghong** said at a meeting held with **Truong Tan Sang**, a member of the Vietnamese Communist Party’s Political Bureau, “China and Vietnam should view relations from the strategic and long-term perspective.” In other words, sound relations, fostered by the leadership of the old generation of the two countries, should be treasured.

This visit was preceded by that of Vietnam’s defence minister, **Pham Van Tra**, who met China’s defence minister, **Cao Gangchuan**, in Beijing. Cao was reported as saying that political trust between the two countries had constantly been deepened, friendly exchanges in various fields had been expanded “with each passing day,” and that the traditional friendship between the two countries has been further strengthened.

Expanding economic and commercial ties



ZENG QINGHONG

are important in helping to cement over government differences and disagreements. Economic ties between the countries continue to strengthen, with trade value reaching \$6.7 billion in the first half of 2007, a 46 per cent increase over the same period in 2006.

An example of how common commercial objectives can help tie the countries closer together is the decision by the **Industrial and Commercial Bank of Vietnam** and its Chinese counterpart, the **Industrial and Commercial Bank of China**, to offer cross-border payments via the internet banking system.

This is the first time that Vietnam has applied the technology to help clients cut time and costs in conducting cross-border payments. Cross-border payments are immediately conducted via the same network, replacing traditional methods that take businesses four to five hours, even a day, to fulfil a payment transaction.

## Maritime disputes

But despite all this, Hanoi may still find relations with China difficult or tense from time to time. The most dramatic illustration is the current fracas over contested maritime borders in the South China Sea. In April, Beijing complained that a BP-led gas exploration and development project offshore southern Vietnam to the south-east was in China's waters. Hanoi has denied this but BP has suspended its work.

China is also understood to be challenging exploration in other offshore blocks allocated by Vietnam. In April, Chinese naval vessels also detained Vietnamese fishing vessels and in early July, the Chinese reportedly fired on a Vietnamese boat near the Paracels, causing one death and several injuries. (See *Vietnam Focus*, August 2007.)

In April and July, there were skirmishes at sea when the Chinese navy took action against Vietnamese fishing boats in waters claimed by both nations. To bolster its right to the disputed offshore region, which has rich oil and gas deposits, Hanoi announced last week that it will map the seabed using state-of-the-art techniques.

## Relations with Taiwan

Another area of sensitivity is Vietnam's relations with Taiwan. Recently, Hanoi (and Bangkok) denied a visa for the chairman of the ruling **Taiwan Democratic Progressive Party, Yu Shyi-kun**. The DPP favours a formally independent Taiwan. Yu was due to visit Vietnam, where Taiwan is one of largest sources of direct foreign investment although Vietnam also adheres to a one-China policy.

Hanoi initially approved a tourist visa but immediately afterwards cancelled it. Taipei assumes that it was in response to pressure from Beijing.

## Tainted goods

China's export of tainted good and goods has also become an issue. Vietnam's ambassador to Beijing, **Tran Van Luat**, was called in by the Chinese Foreign Ministry in early August and lectured about Beijing's unhappiness over how the Vietnamese media had highlighted the problem, according to the *Singapore Straits Times*.

Beijing felt that Vietnam should direct its state-controlled press to downplay the issue and not sow seeds of doubt among Vietnamese buyers. Bilateral trade between China and Vietnam, heavily in China's favour, is expected to exceed \$10 billion this year.

## Sovereignty squabbles

Hanoi has also reacted angrily to plans by China to promote tourism on offshore islands in the South China Sea that are claimed by both nations. Last week, Beijing said it will develop Hawaii-style tourist facilities on the Paracel Islands, 260 km southeast of China's Hainan province. The Paracels, which have been occupied by China since 1974, are known as Xisha by the Chinese and Hoang Sa by Vietnam.

The *China Daily* says that Beijing has approved the holiday scheme for Hainan's special economic zone, which Beijing claims includes the Paracels. Hanoi promptly denounced the move. Foreign Ministry spokesman **Le Dung** told foreign media, "Vietnam is gravely concerned over and strongly protests against China's

approval of the tourism development plan at Vietnam's Hoang Sa archipelago."

He called the move a serious violation of Vietnam's sovereignty that would jeopardise current talks aimed at resolving territorial disputes along the land border and in the offshore territories.

Dung said that there is historical and legal basis for Hanoi's claim to sovereignty over the Paracels and the more southerly Spratly Islands, about 500 km east of Ho Chi Minh City, which are also claimed by China.

China's plan to develop the Paracels is the latest in a string of actions it has taken this year that indicate it now intends to substantively exploit its sovereignty claim over the offshore region.

Some analysts surmise that the Chinese announcement of tours to the islands is in retaliation against Vietnam taking visitors to the Spratlys last year and also for allowing island-based personnel to vote in Vietnam's National Assembly elections in May. China may be trying to test the new Vietnamese government's response. Vietnam reshuffled its Cabinet line-up last month.

Land borders between the two countries are less of an issue and there has been good progress in a mutual demarcation of boundaries.

Vietnam will appoint a heavyweight party member, rather than a career diplomat, as its next ambassador to Beijing. **Hoang Binh Quan**, the party boss of northern Tuyen Quang province and a member of the party's key central executive committee, is not a man of

# Disputed South China Sea Islands

## Paracel Islands

The Paracels are group of coral islands and reefs in the northern part of the South China Sea. Before the Second World War, the islands were part of French Indochina and served as a weather station.

They were occupied by Japan during the war but passed to China in 1945. The islands were also claimed by the South Vietnamese, who maintained a weather station and small garrison there until 1974, when they were attacked and driven away by Chinese armed forces, which then occupied the territory. Chinese ownership of the archipelago is contested by Vietnam and Taiwan.

## Spratly Islands

More than 40 of the 51 small islands and reefs in the southern part of the South China Sea are claimed or occupied by China, the Philippines, Vietnam, Taiwan, Malaysia, and Brunei.

The Spratly Islands are believed to possess substantial natural resources - chiefly oil, natural gas, and seafood. Disputes have been propelled by an aggressive China eager to meet growing energy demands that outstrip its supply capability.

diplomatic niceties and is expected to assert Vietnam's claims in the sovereignty dispute forcefully.

## Cambodia: Hitching to an economic star?

Commercial objectives are rising to the top of the agenda in relations between Hanoi and Phnom Penh. During the visit by Deputy Prime Minister and Foreign Minister **Pham Gia Khiem** to Cambodia in late August, 24 joint programmes focusing on education and training, energy, agriculture, forestry, fisheries, transportation, mining, oil and gas, and post and telecommunications were endorsed in his talks with the Cambodian foreign minister, **Hor Namhong**.

Trade between the two countries is of the order of \$1 billion and there is increasing Vietnamese investment in Cambodia.

The possibility of a joint industrial and trade zone between the two countries along the southern border is also being floated by Vietnamese Prime Minister **Nguyen Tan Dung**. He recently said that the Moc Bai economic zone in Vietnam's southwestern province of Tay Ninh, which borders Cambodia, should be turned into an international trade centre.

The project would include industrial trading areas with duty-free status. Enterprises operating in the areas would be permitted to engage in import-export businesses. This follows the exemption of tariffs and value-added taxes for imported goods and services, and exports will also enjoy similar incentives.

Commodities and services subject to special consumption taxes would also be exempt from this category of taxes if they were produced

and traded in or exported from the Moc Bai bordergate economic zone's industrial trading areas. Enterprises that open investment, production, businesses, and services in the industrial trading areas would also be exempt from corporate taxes for four years.

Border issues remain though, and the two sides agreed to speed up the planting of land markers to define clearly the border. The process is to be completed by late 2008.

### Age-old enmity

Whether hitching Cambodia's economic fortunes to the now dynamic Vietnam will overcome historical enmities and suspicion remains to be seen. Although Vietnam did oust Pol Pot's murderous **Khmer Rouge** though its invasion in 1979, this was followed by a decade-long occupation that, while helping to pacify the country, also helped fuel an enmity that still can hamper relations.

The hostility dates from the spread of Vietnamese people into what is now southern Vietnam but to Cambodians is part of historical Cambodia - Kampuchea Krom or Lower Cambodia - in the seventeenth and eighteenth centuries. The area was later formally made part of the French-ruled Indochina province Cochinchina (southern Vietnam).

Current Cambodian president **Hun Sen**, once a junior Khmer Rouge officer, became a protégé of Hanoi. Cambodia's current leadership leans towards Hanoi but at the popular level there remains suspicion and resentment towards the Vietnamese.

There remains a 10-million-strong ethnic

Cambodian population in southern Vietnam, among which are those who accuse Hanoi of repressing them. And Cambodians on both sides of the border pine for a return of territory.

Pointing to these resentments, in August two ethnic Cambodians from southern Vietnam tried to blow up a Cambodia-Vietnam friendship statue in Phnom Penh, a giant structure featuring Cambodian and Vietnamese soldiers standing guard over a woman with a child. Cambodian authorities said they were members of the "Kampuchea Krom Liberation" movement, and one was a former Khmer Rouge soldier.

Recently, Vietnamese police arrested an ethnic Cambodian, a Buddhist monk, on charges of undermining national unity. **Tim Sakhorn** is reported to be a member of the exiled group the **Khmer Kampuchea-Krom Federation**. Buddhist monks in Cambodia staged noisy protests during a February visit by Vietnam's President **Nguyen Minh Triet**, claiming Hanoi was repressing ethnic Cambodians in southern Vietnam's "Kampuchea Krom," or "Lower Cambodia" region.



## ECONOMY & ENERGY

### Fast tracking foreign investment

The government is hoping to attract and accelerate foreign direct investment in infrastructure and other high-priority areas through special regulatory treatment. The Ministry of Planning and Investment said a list of 136 projects was being prepared for which foreign direct investment (FDI) was sought and would be assisted through by-passing time-consuming regulatory processes and bureaucratic requirements.

Priority would be given to projects that improve the infrastructure and the service sector, the Ministry of Planning and Investment said.

FDI is being sought for projects under various forms of build-operate, build-operate-own and build-operate-transfer arrangements following the passing of new laws and regulations. Prioritised projects in infrastructure development include 16 new expressways, two railway routes, six airports, seven seaports, and at least 10 new urban centres.

Tourism facilities are also being earmarked for special treatment and include 20 resorts in, among other places, the World Heritage site of Ha Long Bay, the central highlands resort city of Da Lat, and the southern island of Phu Quoc.

Hanoi aims to attract an annual \$24 billion of new FDI commitments by 2010. By 22 July, Vietnam had attracted 7,736 FDI projects with total registered capital of over \$70.5 billion. >>>

With 1,538 projects worth more than \$10.3 billion, South Korea was the biggest investor among 76 countries and regions having investment in Vietnam by that time.

Between January and August, 814 new foreign investment projects were licensed in Vietnam with a total registered capital of \$7.1 billion. South Korea topped the list in both the number of new projects, at 238, and total investment value of more than \$1.7 billion. It was followed by Singapore and the British Virgin Islands.

Also in this period, foreign investors poured \$1.2 billion into 247 existing projects. The value of new and ongoing foreign investment in Vietnam thus reached a record \$8.3 billion.

### Growth in electronics

Electronics is one of the FDI growth areas. Taiwan's **Compal Electronics**, the world's second largest contract PC and monitor maker, plans to invest \$30 million to construct a notebook plant in Vietnam to cut growing production costs. Compal expects to build a new notebook factory with monthly capacity of 300,000 to 500,000 notebooks in late 2009 or in early 2010.

By shifting to Vietnam, Compal Electronics says it will cut its production cut by 3 to 5 per cent due to government tax incentives and a low cost workforce compared with conditions in Shanghai in China. Compal Electronics produces PC components for US firms **Dell** and **Hewlett Packard**.

US electronics and IT companies are also in the hunt. A group of Silicon Valley investors recently has announced an investment worth

US\$200 million into a new chip-packaging plant in Hanoi. This was made at a first-ever **Vietnamese Strategic Ventures Network** (VSVN) conference in Palo Alto, California, where hundreds of investors, technology company executives, entrepreneurs, and Vietnamese government officials gathered to discuss Vietnam's potential.

### Other sectors

Among other industries, Hong Kong's **Lee & Man** has begun construction of a \$1.2 billion containerboard and paper pulp manufacturing plant in Hau Giang, 200 km southwest of Ho Chi Minh City. The project will also invest in tree plantations in the Mekong delta to supply the factories. To be in operation by 2008, the two factories are to produce 1.5 million tonnes of containerboard and 1 million tonnes of pulp annually.

Philippines food and beverage group **San Miguel** plans \$6 million investment to more than double the size of its Vietnam plant in Dong Nai province. San Miguel is the Philippines' largest publicly held beverage, food, and packaging company. The group has more than 60 production facilities in Australia, China, and Southeast Asia, including the Philippines.

Philippines banks the **Philippine National Bank** and the **Rizal Commercial Banking Corp.** are also exploring the idea of establishing operations or taking up equity stakes in existing banks in Vietnam. And one of Japan's major banks, **Sumitomo Mitsui Banking Corp.**, says it will take up a 15 per cent stake in Vietnam's **Export-Import Commercial Joint-Stock Bank** for \$225 million.

## Industrial output growth

Vietnam's industrial production rose 17 per cent in the first eight months of 2007 against the same period last year, according to the government's General Statistics Office (GSO). The total value of industrial output was 377,000 billion Vietnamese dong or \$23.6 billion in the January to August period.

The non-state sector led in terms of production, with 20.5 per cent year on year growth. The foreign-invested sector contributed the largest proportion of output, valued at \$9.1 billion. Output from the state-owned sector grew 10.2 per cent to \$5.7 billion.

Strong growth continues to be accompanied by inflation. The consumer price index (CPI) has risen by 6.78 per cent since the start of the year and at the end of the first eight months of 2007 has risen 8.57 per cent against a year earlier.

## Trade account deficit widens ...

Vietnam's trade accounts are another indicator of the pace of the country's economic growth. While exports are growing strongly, the economy is sucking in a greater proportion of imports to meet demand.

The value of Vietnam's exports grew 19.3 per cent to \$32.21 billion in the first eight months

of this year, according to the General Statistics Office. Imports grew 29.9 per cent to \$37.63 billion.

Vietnam faced a trade deficit of \$6.42 billion during the January–August period, up 132.6 per cent. The figure has already surpassed this year's forecast of \$4.7 billion. Of total export revenue, foreign-invested firms contributed \$17.46 billion, up 15.2 per cent, and domestic enterprises bring about \$13.75 billion, a 25.1 per cent increase over the same period in 2006.

### ... but oil exports dropping

Crude oil remains the largest single export, with a total export volume of 9.98 million tonnes in the first eight months of 2007 at a value of \$5.09 billion. Vietnam is the third largest crude oil exporter in Southeast Asia. Yet this figure represents a drop of 9.9 per cent from the previous year. Falling oil output is of concern to the government.

State oil group **PetroVietnam**, to which all foreign companies work as production sharing contractors or in joint operating companies, says oil output is not as high as expected this year. The group has had to cut the 2007 target by roughly 1 million tons of crude to 16.8 million tons.

With no refining facilities, almost all crude oil is destined for export, while all refined oil products to feed national fuel needs are imported. Vietnam's first refinery, at Dung Quat on the central northern coast, is under construction and slated for operation in early 2009.

## Other exports and imports

Oil exports are followed by clothing with a value of \$5.08 billion and a 29.6 per cent increase; footwear at \$2.72 billion, a 14.3 per cent increase; seafood products at \$2.36 billion, a 14.1 per cent increase; wood products at \$1.49 billion, a 23.3 per cent increase; coffee at \$1.41 billion, a 90.7 per cent increase; electronic and computer parts at \$1.3 billion, a 24.6 per cent increase; rice at \$1.15 billion, a 12.2 per cent increase; rubber at \$808 million, down 0.6 per cent; and electric wire and cable at \$544 million, up 24.5 per cent.

As far as imports are concerned, for the eight-month period, domestic company imports are estimated at \$24.11 billion, a 31 per cent increase, while foreign-invested firms imported \$13.51 billion, also an increase.

By product, the largest category was machinery and equipment at \$6.21 billion, a 51.4 per cent increase; followed by fuels at \$4.48 billion, up 6.3 per cent; steel and iron at \$2.95 billion, up 54.9 per cent; cloth at \$2.59 billion, up 34.3 per cent; electronic and computer parts at \$1.78 billion, up 42.6 per cent; plastics at \$1.52 billion, up 27.9 per cent; apparel accessories at \$1.4 billion, up 7.5 per cent; and chemicals at \$913 million, up 40.8 per cent.

## Intraregional trade

In terms of export destination, Southeast Asia is becoming more important. It represents 20 per cent of export earnings. In 2006, Vietnam exported \$6.3 billion of products to Southeast Asia, a six-fold rise over the 1995 figure, when Vietnam became a member of the Association of Southeast Asian Nations (ASEAN).

Crude oil and rice were the largest exports, followed by electronic components, textiles and garments, seafood, peanuts, coffee, and rubber. New growth is also reported for electrical cables, bicycles and spare parts, and children's toys.

Singapore is Vietnam's largest trading partner, suggesting that considerable Vietnamese exports are sent on from Singapore to North America and Europe. Singapore is followed by Indonesia and Malaysia.

## Attracting FDI to agriculture

The Vietnamese government wants to attract more foreign direct investment (FDI) into agriculture. Hanoi wants to increase FDI to \$9.4 billion by 2010. Measures to promote the sector range from improvements in supporting infrastructure to identification and removal of regulatory obstacles.

The emphasis is on the processing of crops and forestry products and the planting of forests and livestock breeding. Currently 758 agriculture projects have attracted a total FDI of \$3.8 billion, mostly from Asian countries. Major western countries with large agricultural industries - Canada, the United States, and Australia - have not so far invested in Vietnam's agriculture.

## Agricultural trade

One of Vietnam's major agricultural export industries is coffee. In the first eight months

of 2007, Vietnam exported 940,000 tonnes of coffee, with a value of \$1.4 billion, according to the government's **General Statistics Office**. This is a 47 per cent increase in volume and 90.7 per cent in value over the same period in 2006.

Further growth is expected from the introduction of Vietnamese coffee trading on **Chicago Mercantile Exchange (CME)** early next year. The CME is now the world's biggest forward trading floor.

Tea is also an important product. Vietnam is the world's seventh biggest tea producer and ranks sixth in exports among countries that produce and export tea. Vietnam's tea has been exported to 109 countries and territories. Pakistan, Taiwan, India, Russia, China, Germany, Iraq, Poland, Afghanistan, and Indonesia are ten biggest importers.

Aquaculture output and fish catches have increased this year despite inclement weather conditions. Farm output rose to 917,000 tonnes, up 12 per cent compared to the same period last year. Fishing output increased to 1.2 million tonnes, 2.2 per cent higher than in the same period last year.

Vietnam's agriculture, fishing/aquaculture, and forestry product exports are growing strongly. Exports of at least \$8 billion are expected this year, after \$7.2 billion in 2006. The government is encouraging continued growth through establishment of large-scale production zones attached to processing establishments and markets, and by developing the husbandry industry.

It is also focusing on building brands, registering product trademarks, improving quality, and market development in China, the United States, Japan, the European Union, and elsewhere while also seeking new markets.

## Promoting higher education

Education and training are an ongoing priority for the government. Although Vietnam has a reputation for good education standards at the basic school and secondary level, higher education, especially in high-capital-cost technical and engineering fields, cannot keep pace.

In response, the government wants to form a network of top universities and colleges up to 2020. The plan specifies a goal of 200 university students per 10,000 people by 2010, increasing to 450 in the next ten years. This includes state and private institutions. Hanoi wants to have ten universities by 2010, each of which have at least one faculty or field of training at a world standard.

To achieve this goal, the government will allow the establishment of more wholly foreign-owned and joint venture universities. Already there are several such campuses, such as one run by Australia's **Royal Melbourne Institute of Technology (RMIT)**.

One Southeast Asian company to respond to this demand is Malaysian property developer **Berjaya Land**, which plans to build a \$3.5 billion university township in Ho Chi Minh >>>

City, Vietnam's first such project. The township will cover an area of about 1,000 ha and construction will take eight to ten years. The project will include a town centre with offices, commercial blocks, hotels and convention facilities. The master plan also comprises civic and administrative zones, an education corridor, residential precincts, a river port, cruise centre, recreation parks, open spaces, and sporting venues.

## Energy and mining

### Massive power expansion planned

Vietnam's medium-term power master plan points to a 12-fold increase in generation capacity, from 12,000 MW to 111,000 MW by 2020. As measuring stick, the current total generation capacity in the UK is 85,000 MW and this is planned to increase to 100,000 MW by 2020, according to UK-based energy consultants **Wood Mackenzie**.

The power plan, the fourth to be issued in recent times, details actions for the period 2006-15 and makes forecasts to 2025. It was recently approved by Prime Minister **Nguyen Tan Dung**.

Assuming GDP growth of 8.5 to 9 per cent per year, the base case for power demand is 17 per cent per year from 2006 to 2015, and 20 per cent per year in the highest case.

The plan calls for a mix of fuels: hydro, coal, natural gas, and smaller-scale renewables and nuclear. Significant is a strong emphasis on coal combustion generation, which would be fuelled

by imported coal, probably from Indonesia and Australia, as well as local coal from the north. Nuclear power is subject to further planning and approval by the prime minister (Table 4).

Plants are to be built and operated by both the state, through **Electricity Vietnam** (EVN), and private-sector independent power plants under build-operate-transfer and build-own-operate schemes.

Complementing new generation is expansion of transmission and distribution networks. Finance is expected from local and foreign sources, with EVN able to support its financing through economic tariffs that reflect the costs of supply.

Industry restructuring is already policy. The government is seeking to slowly establish a competitive power market. This envisages an unbundling of EVN, now a vertically integrated power enterprise. But the state would retain complete ownership of the transmission and large-scale plants identified as of special importance for the country's socio-economic development, security and defence. The state would maintain majority equity in other power plants (*Vietnam Focus*, June 2007.)

Vietnam's role in an evolving Great Mekong power system is also promoted.

### Ministry nixes EVN plans

The Ministry of Industry is opposing plans by the state electricity utility, **Electricity Vietnam** (EVN), to set up a power trading company in response to government policy to slowly restructure and introduce competition into the electricity industry (*Vietnam Focus*, June 2007). >>>

Table 4: Base case power plant development 2006 -15

NAME OF POWER PLANT	INSTALLED CAPACITY (MW)	PROJECT OWNER
<b>PROJECTS TO BE IN OPERATION IN 2006</b>		
	<b>861</b>	
Add-On of Phu My 2.1 extension	150	EVN
Se San 3 hydropower	260	EVN
Se San 3A hydropower	54	Song Da/IPP
Srok Phumieng hydropower	51	IDCO/IPP
Imported from China via 110kV	60	EVN
Imported from China via 220kV (Lao Cai)	250	EVN
Mini-hydropower plants	36	IPP
<b>PROJECTS TO BE IN OPERATION IN 2007</b>		
	<b>2,096</b>	
Se San 3A hydropower	54	Song Da/IPP
Cao Ngan coal-fired power plant	100	Vinacomin/IPP
Ca Mau 1 GTCC (oil/gas)	750	PVN/IPP
Quang Tri hydropower	64	EVN
Imported from China via 220kV (Ha Giang)	200	EVN
Tuyen Quang #1 hydropower	114	EVN
Dai Ninh hydropower	300	EVN
Uong Bi expansion #1	300	EVN
Mini-hydropower plants	214	IPP
<b>PROJECTS TO BE IN OPERATION IN 2008</b>		
	<b>3,271</b>	
Tuyen Quang #2,3 hydropower	228	EVN
Plai Krong #1,2 hydropower	100	EVN
A Vuong hydropower	210	EVN
Ca Mau 2 GTCC	750	PVN/IPP
Song Ba Ha hydropower	220	EVN

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Table 4: Base case power plant development (continued)

NAME OF POWER PLANT	INSTALLED CAPACITY (MW)	PROJECT OWNER
<b>PROJECTS TO BE IN OPERATION IN 2008</b>	<b>3,271</b>	
Buon Kuop hydropower	280	EVN
Ban Ve #1 hydropower	150	EVN
Nhon Trach 1 GTCC	450	PVN/IPP
Son Dong coal-fired power plant	220	Vinacomin/IPP
Hai Phong I#1 thermal power plant	300	Hai Phong TP JSC
Mini-hydropower IPPs	363	IPP
<b>PROJECTS TO BE IN OPERATION IN 2009</b>	<b>3,393</b>	
Ban Ve #2 hydropower	150	EVN
Buon Tua Sah hydropower	86	EVN
Cua Dat hydropower	97	Cua Dat hydropower JSC
Cam Pha I thermal power plant	300	Vinacomin/IPP
Hai Phong I#2 thermal power plant	300	Hai Phong TP JSC
Dong Nai 3#1&2 hydropower	180	EVN
Song Con 2 hydropower	63	Song Con hydropower JSC
Se San 4#1 hydropower	120	EVN
Quang Ninh I#1,2 thermal power plant	600	Quang Ninh TP JSC
O Mon I#1 thermal power plant	300	EVN
An Khe Kanak hydropower	173	EVN
Hai Phong II#1 thermal power plant	300	Hai Phong TP JSC
Mao Khe #1 thermal power plant	220	Vinacomin/IPP
Nong Son thermal power plant	30	Vinacomin/IPP
Dung Quat Refinery thermal power plant	104	PVN/IPP
Mini-hydropower IPPs	370	IPP
>>>		

Table 4: Base case power plant development (continued)

NAME OF POWER PLANT	INSTALLED CAPACITY (MW)	PROJECT OWNER
<b>PROJECTS TO BE IN OPERATION IN 2010</b>	<b>4,960</b>	
Srepok 3 hydropower	220	EVN
Se San 4#2&3 hydropower	240	EVN
Song Tranh 2 hydropower	160	EVN
Na Le (Bac Ha) hydropower	90	LICOGI/IPP
DakR tih	141	GCC1 /IPP
Thac Mo hydropower expansion	75	EVN
Se San 4a	63	Se San 4a hydropower JSC
Quang Ninh II#1 thermal power plant	300	Quang Ninh TP JSC
Hai Phong II#2 thermal power plant	300	Hai Phong TP JSC
Dong Nai 4 hydropower	340	EVN
Cam Pha II thermal power plant	300	Vinacomin/IPP
O Mon I#2 thermal power plant	300	EVN
Son La #1 hydropower	400	EVN
Vung Ang I#1 thermal power plant	600	LILAMA/IPP
Sekaman 3 (Laos) hydropower	248	Viet-Lao hydropower JSC/BOT
Mao Khe #2 thermal power plant	220	Vinacomin/IPP
Nhon Trach 2 GTCC	750	PVN/IPP
Mini-hydropower IPPs	213	IPP
<b>PROJECTS TO BE IN OPERATION IN 2011</b>	<b>5,401</b>	
Uong Bi expansion #2 TPP	300	EVN
Ban Chat #1,2 hydropower	220	EVN
Son La #2,3 hydropower	800	EVN
Nam Chien 1 hydropower	196	Song Da Corp./IPP
>>>		

Table 4: Base case power plant development (continued)

NAME OF POWER PLANT	INSTALLED CAPACITY (MW)	PROJECT OWNER
<b>PROJECTS TO BE IN OPERATION IN 2011</b>	<b>5,401</b>	
Dak Mi 4 hydropower	210	IDICO/IPP
Khe Bo hydropower	100	VN Power Dev. JSC
Dak Ninh hydropower	125	PV-Licogi/IPP
A Luoi hydropower	150	Central hydropower JSC
Mong Duong I#1 TPP	500	EVN
Mong Duong II#1 TPP	600	AES/BOT
Quang Ninh II#2 TPP	300	Quang Ninh TP JSC
Vung Ang I#2 TPP	600	LILAMA/IPP
Thang Long coal-fired power plant	300	Thang Long TP JSC
Nghi Son I#1 TPP	300	EVN
Vinh Tan I#1 coal-fired power plant	600	CSG/BOT
Mini-hydropower + renewable energy	100	IPP
<b>PROJECTS TO BE IN OPERATION IN 2012</b>	<b>6,554</b>	
Huoi Quang #1,2 hydropower	560	EVN
Son La #4,5,6 hydropower	1,200	EVN
Song Boung 4 hydropower	156	EVN
Hua Na hydropower	180	Hua Na hydropower JSC/IPP
Trung Son hydropower	260	EVN(WB)
Dong Nai 2 hydropower	78	Trung Nam Const. & Dev. JSC
Sre Pok 4 hydropower	70	Dai Hai Power Dev. & Invest. JSC
Nam Mo (Laos) hydropower	100	Song Da/IPP
Nghi Son I#2 TPP	300	EVN
>>>		

Table 4: Base case power plant development (continued)

NAME OF POWER PLANT	INSTALLED CAPACITY (MW)	PROJECT OWNER
<b>PROJECTS TO BE IN OPERATION IN 2012</b>	<b>6,554</b>	
Mong Duong I#2 TPP	500	EVN
Mong Duong II#2 TPP	600	AES/BOT
Vinh Tan I#2 coal-fired power plant	600	CSG/BOT
Son My #1 coal-fired power plant	600	BOO/BOT
Tra Vinh I#1 coal-fired power plant	600	EVN
Nghi Son II#1 TPP	600	BOT tender
Mini-hydropower + renewable energy	150	IPP
<b>PROJECTS TO BE IN OPERATION IN 2013</b>	<b>7,309</b>	
Thuong Kon Tum hydropower	220	Vinh Son-Song Hinh JSC
Dong Nai 5 hydropower	140	Vinacomin/IPP
Sekaman 1 (Laos) hydropower	488	Song Da Corp./IPP
Bao Lac hydropower	190	IPP
Vinh Son 2 hydropower	110	VS-SH JSC/IPP
Song Boung 2 hydropower	100	EVN
Nho Que 3 hydropower	110	VN Power Dev. JSC/IPP
Hoi Xuan hydropower	96	Southern Power Const. JSC/IPP
O Mon II GTCC (oil/gas)	750	BOT/BOO tender
Nghi Son II#2 TPP	600	BOT/BOO tender
Vung Ang II#1,2 TPP	1,200	JSC led by Lilama
Son My #2 coal-fired power plant	600	BOO/BOT
Tra Vinh I#2 coal-fired power plant	600	EVN
Vinh Tan II#1 coal-fired power plant	600	EVN
Soc Trang I#1 coal-fired power plant	600	EVN
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Table 4: Base case power plant development (continued)

NAME OF POWER PLANT	INSTALLED CAPACITY (MW)	PROJECT OWNER
<b>PROJECTS TO BE IN OPERATION IN 2013</b>	<b>7,309</b>	
Kien Giang I#1 coal-fired power plant	600	BOO/BOT
Mini-hydropower + renewable energy	305	IPP
Projects to be in operation in 2014	7,177	
Lai Chau #1,2 hydropower	600	EVN
Ha Se San 2 (Cambodia) hydropower	207	EVN
Song Bung 5 hydropower	85	IPP
Nho Que 1,2 hydropower	80	IPP
Bac Me hydropower	70	IPP
Dak Mi 1 hydropower	210	IPP
Southern GTCC #1 (oil/gas)	750	BOO/BOT
Vinh Tan II#2 coal-fired power plant	600	EVN
Son My #3 coal-fired power plant	600	BOO/BOT
Soc Trang I#2 coal-fired power plant	600	EVN
Tra Vinh II#1 coal-fired power plant	600	EVN
Kien Giang I#2 coal-fired power plant	600	BOO/BOT
Hai Phong III#1,2 coal-fired power plant	1,200	EVN
Import from Se Kong 4 hydropower plant (Laos)	475	BOT Laos
Mini-hydropower + renewable energy	500	IPP
Projects to be in operation in 2015	7,722	
Lai Chau #3,4 hydropower	600	EVN
Ha Serepok 2 hydropower (Cambodia)	222	EVN
Southern GTCC #2,3 (oil/gas)	1,500	BOO/BOT
Vinh Tan III#1 coal-fired power plant	1,000	EVN
Tra Vinh II#2 coal-fired power plant	600	EVN
Kien Giang II#1 coal-fired power plant	600	BOO/BOT

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Under the EVN proposal, the new company would buy electricity from independent power plants and EVN generators and sell distribution companies.

The ministry asserts that EVN should keep its current role as a single power buyer until the formation of a competitive power generation market in accordance with its policy. It also notes that the government should ask the ministry to work with the Ministries of Finance and Investment and Planning to instruct EVN to draw lessons from the equitisation of power plants and electricity distribution units in the coming time, and to work out specific solutions.

The **World Bank** has also criticised EVN's power trading company initiative, saying it would be contrary to the goal of instituting competition into the electricity system.

### Regional and international petroleum agreements

Myanmar and Vietnam have signed an agreement to promote co-operation in the petroleum industry. The Myanmar Energy Planning Ministry and **Vietnam National Oil and Gas Group** signed the agreement during a visit by Vietnamese Prime Minister **Nguyen Tan Dung** to Myanmar's new capital of Naypyitaw. Other co-operation agreements were signed in transport and telecommunication.

Vietnam and Ecuador are also discussing joint projects in energy and other industries. Co-operation was promoted during the visit by Vietnam's Deputy Foreign Minister **Le Van Bang** to Ecuador in mid-August. Ecuador also reaffirmed its support for Vietnam's candidacy

for a non-permanent seat on the **UN Security Council** in the 2008-09 term. Bang met the Ecuadorian Ministry of Foreign Affairs and Petroleum and the **Ecuadorian Petroleum Group** (PetroEcuador).

Ecuador is the latest Latin American petroleum foray by Vietnam. **PetroVietnam** has taken up blocks in Peru, Cuba, and Venezuela.

### Total returns

French company **Total** is returning to the upstream segment in Vietnam with approval from the Vietnamese government. It will acquire a 35 per cent interest in the production sharing contract for offshore exploration block 15-1/05, alongside operator **PetroVietnam Exploration and Production** (40 per cent) and **SK Corporation** of South Korea (25 per cent).

Covering an area of 3,840 km<sup>2</sup>, block 15-1/05 is located 40 km offshore in a water depth of 40 m, in the Cuu Long basin near the Su Tu Den, Su Tu Vang, Su Tu Trang, and Su Tu Nau discoveries.

Total's entry into Vietnam is in line with its strategy of diversifying its assets in the Asia-Pacific region. At 253,000 boe per day, the Asia-Pacific region accounted for 11 per cent of the Group's total production in 2006. Total's major interests are in Indonesia, where it has operated the Mahakam block with partner **Inpex** of Japan since 1970, supplying gas for the Botang liquefied natural gas plant in East Kalimantan. It also has gas production interests in Thailand and Myanmar and offshore exploration operations in Brunei.

The Group significantly diversified its assets >>>

Table 4: Base case power plant development (continued)

NAME OF POWER PLANT	INSTALLED CAPACITY (MW)	PROJECT OWNER
<b>PROJECTS TO BE IN OPERATION IN 2013</b>	<b>7,309</b>	
Soc Trang II#1,2 coal-fired power plant	1,200	EVN
Son My 4 coal-fired power plant	600	BOO/BOT
Hai Phong III#3,4 coal-fired power plant	1,200	EVN
Mini-hydropower + renewable energy	200	IPP

*Note:* Table refers to new plants on top of existing plants

*Source:* Office of Prime Minister

with the recent acquisition of interests in a number of exploration projects in Australia, Indonesia, and Bangladesh. It also acquired a 24 per cent stake in Australia's **Ichthys LNG** project, in partnership with Inpex, and signed a contract with the **China National Petroleum Corporation** to appraise, develop, and produce natural gas resources in the South Sulige block in China

### Rusal looks at alumina/aluminium

Vietnam's bauxite resources and potential as an alumina and aluminium producer is attracting Russian aluminium producer, **United Company Rusal**.

Rusal and the **Vietnam National Coal and Mineral Industries Group** are planning co-operative ventures for railways, roads, and deep water seaports in order to exploit bauxite ores in the Central Highlands. Rusal is a major world producer with 15 aluminium plants around the world.

Chromite and manganese are other targets. The Vietnamese Ministry of Industry has approved a \$363 million master plan for exploration, exploitation, processing, and usage of chromate and manganese ores from 2007 to 2015 for both domestic and export markets. The plan calls for production to grow from the current 190,000 tonnes of chromate and manganese ores a year to 530,000 tonnes by 2015.

Chromite reserves are located mainly in the central province of Thanh Hoa. Most manganese resources are in the northern mountainous provinces of Cao Bang, Tuyen Quang, and Ha Giang.

Chromate processing capacity is currently concentrated in two plants in Thai Nguyen and Ninh Binh. Two new plants are planned for in Thanh Hoa. Large-scale manganese processing plants are also envisaged for Thai Nguyen and Cao Bang.

## GREATER MEKONG

### Japan boosts diplomacy and commerce

Tokyo is seeking to strengthen relations with Vietnam and other Mekong region countries to help foster Japanese business and economic interests. Vietnam is the key target, given its strong economic growth, large population and domestic markets, and potential as a base for export given low production costs and an able labour force.

But efforts to promote Japan in the less developed and smaller Mekong region countries, Cambodia and Laos, are also significant. Tokyo is a major source of international official development assistance to these countries as well as to Vietnam.

Japan's thrust into Vietnam and the other Mekong countries is seen by some as competition with China, whose economic and commercial interests have grown rapidly over the last few years.

At a 2005 summit of leaders of the greater Mekong countries in Kunming, China, Premier **Wen Jiabao** claimed the advantages of China's geographical proximity to the countries along the Mekong over Japan's more distant location. At the summit, which was part of the **Asian Development Bank**-promoted greater Mekong economic co-operation scheme, Wen remarked, "A close neighbour is more helpful than a distant relative."

This competition can also be seen in the larger context of Japan-China rivalry for influence in the region in **Association of Southeast Asian Nations** (ASEAN) forums and in the promotion of a larger East Asian community that includes China, Japan, and Korea. Japan has been a major source of investment and trading partner for Southeast Asia but economic links with China are becoming ever more important.

Two-way trade between China and Southeast Asia has been growing at a much faster pace than that between Japan and the region. China's investment is growing quickly, although it is still dwarfed by Japan's total investment in Southeast Asia.

A preferential or free trade agreement between China and the ASEAN countries is now being developed and the first stages are already being implemented. In the wake of this, Japan is now seeking a new trade and investment agreement with ASEAN countries.

### Japan and Vietnam

Vietnam is becoming an increasingly important location for Japanese companies. The **Japanese External Trade Relations Organisation** (Jetro) predicts that Japanese FDI will continue to rise. Jetro says it has seen a massive increase in the number of Japanese delegations looking for business opportunities and potential trade partners.

New Japanese FDI was \$1.06 billion in 2006, more than 10 per cent of Vietnam's total new FDI for 2006. Disbursement rates of Japanese FDI have risen steadily. By 2007, more than \$5.17 billion had been disbursed, compared >>>

with \$4.8 billion at the end of 2006. Total FDI commitment by end of July was \$8.4 billion in 850 projects, ranking Japan fourth among countries and territories investing into Vietnam, after South Korea, Singapore, and Taiwan.

Japanese electronics groups such as **Sanyo**, **Matsushita**, **Sony**, and **Fujitsu** are especially notable. Computer hardware producer **Nidec** is expanding its operation, planning a \$1 billion facility near Ho Chi Minh City. **Canon** has three factories in Vietnam and its investment has increased over the last five years of operations from \$76 million to \$306 million.

At least part of the new Japanese FDI appears to be at the expense of China. Operations and investments of Japanese manufacturers in China are substantial, but a more recent trend sees Japanese companies hedging their bets on China by shifting operations or setting up new operations in other countries that they perceive as having an advantage over China.

Japan's investment in China in 2006 was more than 30 per cent lower than in the previous year. This coincides with a rise of Japanese investment in Vietnam. Japan's largest trading house, **Mitsui**, has recently established a subsidiary in Hanoi. It notes that Vietnam is attractive not just because of both low costs and markets but because of the diligence of its workforce and contractors and suppliers. The subsidiary's president, **Ken Ozeki**, told Japanese media, "Vietnam could become even more reliable than China or India."

According to the Jetro surveys, more than 75 per cent of Japanese manufacturers >>>

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operating in Vietnam selected the country as the best production base for the next five to ten years. Vietnam stood fourth on the lists of potential destinations to which Japanese companies in foreign countries plan to shift their operations, and the best investment destination in Southeast Asia. In terms of profit expectations, Japanese manufacturers surveyed ranked Vietnam second after India.

Vietnamese Prime Minister **Nguyen Tan Dung** visited Japan in October 2006, shortly after new Japanese prime minister Shinzo Abe took office in September. (Vietnamese President **Nguyen Minh Triet** is scheduled to visit in November.) Dung told Japanese media that he wants Vietnam and Japan to become strategic partners quickly in order to promote further economic, trade, and investment co-operation.

Specific targets include large-scale infrastructure such as a high-speed railway and highway linking the south and north of Vietnam and a

high-technology industrial zone at Hoa Lac.

A dedicated Japan-Vietnam preferential agreement to strengthen trade and investment flows is under negotiation. Negotiations for what is being called an economic partnership agreement are to be concluded by November 2008. Bilateral trade is targeted by the two governments to reach \$17 billion by 2010.

The relationship with Vietnam has wide-ranging dimensions. Tokyo wants to bring 2,000 Vietnamese students to Japan each year under cultural exchange programmes.

### Japan and Cambodia and Laos

Cambodia is also being seen by the Japanese in commercial terms, as well as being a major recipient of Japanese government development assistance. Japan is the largest source of bilateral development assistance to Cambodia.

During a four-day visit by Cambodian Prime



SHINZO ABE

Minister **Hun Sen** to Tokyo in June, he and Prime Minister **Shinzo Abe** signed an agreement to promote investments by Japanese firms in Cambodia. Links between Tokyo and Hun Sen have a long history; the Cambodian prime minister has visited the country 15 times.

Japan's development assistance role in Laos is equally significant, and this too is now being

accompanied with greater commercial interest. In May, Laotian Prime Minister **Bouasone Bouphavanh** visited Tokyo, meeting Prime Minister Shinzo Abe and senior Japanese government officials and gaining an audience with Emperor **Akihito**.

Abe and Bouasone agreed to accelerate negotiations on an investment treaty between the two countries to encourage Japanese investment in Laos. Abe also expressed support for Laos' bid to become a member of the **World Trade Organization** (WTO). Cambodia and Vietnam became members of the WTO in 2004 and 2007 respectively.

Tokyo also sought landlocked Laos support for its position on whaling. Laos recently became a member of the **International Whaling Commission**. At the IWC, pro-whaling Japan gained support from Laos for a lifting of the international moratorium on commercial whaling. (See *Vietnam Focus*, June 2007.)

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