



INDO-VIETNAMESE CHAMBER
OF COMMERCE AND INDUSTRY

NEWS LETTER

Vol. 5

No. 2

For Members only

October - December 1994

PRESIDENT WRITES

It was reported in the last issue of the Newsletter that, encouraged by the success of the IVCCI-sponsored two delegations in 1990 and 1991 and the IMC-ASSOCHAM sponsored delegation to Vietnam in 1992 and lifting of the US embargo in February 1994 on the Vietnamese economy, the Indo-Vietnamese Chamber of Commerce and Industry (IVCCI), jointly with the Indian Merchants' Chamber, has planned to send yet another delegation to Vietnam, coinciding with the Quang Trung International Trade Fair, at Ho Chi Minh City.

I am happy that such a delegation, led by Shri Ranjan Bhatnagar, Hon. Secretary, IVCCI and Chief Executive, Matcon Export Enterprises Limited, visited Vietnam in November 1994. Summary of recommendations of the report of this business delegation to Vietnam is given elsewhere in this issue.

The delegation had macro-level meetings with H. E. S. L. Malik, India's Ambassador to Vietnam, Shri P. S. Raghavan, Consul-General of India in Ho Chi Minh City, Mr. Doan Ngoc Bong, First Vice-President, Vietcochamber, Mr. Truong Dinh Tuyen, Vice-Minister, Ministry of Trade, Mr. Pham Gia Toan, Director, State Committee for Cooperation and Investment, Foreign Trade and Investment Development Centre, Mr. John Brinsden, Regional Director, Indo-China & Myanmar Standard Chartered Bank, Ho Chi Minh City Cooperation & Investment Committee, Mr. Do Van Nhien, Director, Vietcombank, besides one-to-one business meetings with counterparts.

Report of the Business Mission is already submitted to authorities concerned. It has been reiterated that guarantees for payments for imports into Vietnam have become better now. Since 1990 not a single L/C opened by Vietcombank has been dishonoured. It is now for EXIM Bank of India to come forward and assure the Vietnamese Government that past dues of Exim Bank, if repaid, would be rolled against which Vietnam can expand its imports from India. Once this issue is resolved, ECGO would not hesitate to extend a cover.

EXIM Bank should consider offering suppliers' credit for 3 to 5 years against bank guarantees issued by Vietcombank. Most of the business at present continues to be operated by the Government of India credit and it is unlikely that such credit lines will be made available in future and, therefore, urgent steps need to be taken to develop business on commercial lines.

The delegation's report has also suggested that Indian companies bid for agency-funded projects, where finance is assured.

I take this opportunity to express my sincere thanks to all those who joined the IMC-IVCCI sponsored business delegation to Vietnam and made it a success. My thanks are also due to IMC, Bombay, Vietcochamber, Hanoi Indian Embassy in Hanoi and Consulate-General in Ho Chi Minh City for their active support, without which delegation would not have succeeded in its objectives.

Atul Bhagwati
President

Summary of Recommendations of the Report of the Business Delegation to Vietnam, led by Shri Ranjan Bhatnagar, Hon. Secretary, IVCCI and Chief Executive, Matcon Export Enterprises Ltd., jointly sponsored by IMC & IVCCI between November 20-27, 1994.

1. Areas for Joint Ventures/ Foreign Investment Identified

During 1994 Vietnam expects to attract foreign direct investment (FDI) OF \$2 billion. Their first priority for joint venture /100 per cent foreign investment is for infrastructure projects (including highways) and energy.

Since Vietnam is an exporter of agro-products and sea products, modernisation of plants engaged in these products is also a priority.

Since Vietnam considers coal, tin, bauxite, gemstone, rubber, etc. as its potential export items, mining and rubber plantation is also on their priority list for joint ventures.

Hotel and tourism is yet another area identified for joint ventures/ foreign investment projects. Scope is equally good for textile/pharmaceutical projects.

2. Indian Companies should bid for agency-funded Projects

There are a few infrastructure projects funded by World Bank / ADB, etc. A list of such projects is available with the IVCCI. During our discussion, we were told that no Indian party bids for such projects, where finance is assured. Indian companies must bid

for such agency-funded projects

3. Simplify Import Procedures for Pharmaceutical Imports in Vietnam

An MOU between the Ministry of health of the Government of India and the Government of Vietnam is under negotiation. This should be taken advantage of by way of simplifying the import procedure for pharmaceutical products in Vietnam.

4. Establishment of Direct Shipping Line

Establishment of direct shipping lines between India and Vietnam is urgently called for, as this lacuna comes in the way of promoting two-way trade between our two countries as freight charges from Bombay to Vietnam are higher (because of transshipment at Singapore) than freight rates from West Europe to Vietnam, although the distance involved is less.

5. Establishment of Direct Airline

During recent visit of India's Prime minister Mr. P V Narasimha Rao to Vietnam, one of the agreements signed between India and Vietnam, related to travel facilities

to the citizens of the two countries. This will have to be followed up in that frequency of direct airline services between our two countries needs to be increased to facilitate passage to Vietnam and make it more flexible. Visa formalities also need to be simplified.

6. Participate in Refinery Project

Vietnam is in the process of setting up a 5- million tonne oil refinery. India should participate in this project.

7. Crucial Importance of countertrade/barter trade

India has a persistent trade deficit with Vietnam. (India's exports to Vietnam during April-August 1994 were \$17 million, India's imports from Vietnam during this period \$43 million and trade deficit \$ 26 million).

Vietnam is a growing large market and promotion of India's exports to Vietnam in this context assumes significance. Promotion of exports from India will be facilitated if we enter into countertrade /barter trade/back to back L/C arrangement with Vietnam. Against exports from India we can consider import of agro-based products, viz. cashewnut, beans,

groundnut, rice, rubber, raw silk, etc., for direct export to third countries.

8. ECGC Cover & Exim Bank Credit: Rerolling of credit to promote trade between two countries

The Government of Vietnam has decided to repay interest on past credit from India and the Government of India has decided to

About Rs.30-crore credit extended by the Exim Bank of India for the modernisation of a jute mill and other projects in Vietnam remain unpaid as of today. As a result, not only Exim Bank has stopped extending further credits, even ECGC has stopped extending cover for exports from India to Vietnam.

Guarantees for payments have become better now. Since 1990,

Exim Bank should consider offerings suppliers' credit for 3 to 5 years against bank guarantees issued by Vietcombank. Most of the business at present continues to be operated by the Government of India credit and it is unlikely that such credit lines will be made available in future and, therefore, urgent steps need to be taken to develop business on commercial lines.

INDIAN TRADE DELEGATION LOOKS FOR "LITTLE" OPPORTUNITIES

HANOI--A 10-member trade delegation, jointly sponsored by the Indian Merchants' Chamber and the Indo-Vietnamese Chamber of Commerce and Industry arrived here Monday to probe sectors including pharmaceuticals, textiles, engineering, and environmental protections for opportunities.

Since some 40 percent of India's light industry and manufacturing lies in rural areas, most members of delegation, headed by Mr. Ranjan Bhatnagar, Chief of Matcon Export Enterprises Ltd, was looking to play to their strengths by keying on small and mid-scale businesses located in the rural provinces.

The exception to this might be Mr. Arun Madhavan, head of corporate banking, West India, Standard Chartered Bank. His interest in coming to Vietnam lie in finance, trans-national banking and advisory services for joint ventures.

The delegation left yesterday for HCMC to participate in the international Autumn Fair at Quang Trung exhibition center. VNS

Source: Vietnam News, November 24, 1994 (Published by Vietnam News Agency)

recycle the same. Already an amount of \$13 million has been recycled and another \$18million is likely to be recycled in the near future. This would mean rerolling of earlier credits extended by the Government of India. Thus without involving any outflow of additional forex on the Vietnamese side, export from India could be promoted.

not a single L/C opened by Vietcombank has been dishonoured. It is now for Exim Bank to come forward and assure the Vietnamese government that past dues of Exim Bank, if repaid, would be rerolled against which Vietnam can expand its import from India. Once this issue is resolved, ECGC would not hesitate extend a cover.

State Bank of India has got a representative office in Ho Chi minh City. Efforts are on to convince ECGC to accept L/Cs from many other Vietnamese banks. At present, ECGC accepts L/Cs only from Vietcombank and Exim Bank of Vietnam.

9. Dissemination of Information

Vietnamese business/industrialists are by now convinced that India can easily be their source market for industrial products and equipment. More so, after Indian companies regular and active participation in Quang Trung International Trade Fair.

Following suggestions for systematic and planned dissemination of information and thereby for making inroads into the Vietnamese market may be considered.

(a) There should be a higher level participation in trade fairs so as to facilitate on the spot decisions. ITPO should organise some mobile exhibitions on important business centres of Vietnam such as Hanoi, Haiphong, Danang and Ho Chi Minh City. This would help create awareness of Indian products to larger population of Vietnam.

(b) A permanent office of India Trade Promotion Organisation be set up in Vietnam which can function as trade promotion agency. It may organise display of video films of some important Indian companies/products in which Vietnam is interested.

(c) Consulate General of India in Ho Chi Minh City should have a Commercial Officer's Post.

(d) The Indian Government /IVCCI must invite official business del-

egations from Vietnam to enable Vietnamese businessmen to see for themselves the progress made by Indian Industry. Display of products at exhibitions/fairs in Vietnam cannot be as effective and as impressive as taking Vietnamese round our factories/workshops.

(e) India should organise more specialised exhibitions on a regular basis to capture attention of Vietnamese businessmen. This is the best way to reach end users.

(f) Our embassy in Vietnam / IVCCI can supply a list of Indian exporters, at regular intervals, along with their products in which Vietnam is interested, to the Chamber of Commerce & Industry of the Socialist Republic of Vietnam to publish the same in its foreign trade bulletins.

(g) Indian companies concentrate in Hanoi/Ho Chi Minh City mostly. Since most provinces are independent in their buying decisions with specific plans and budgets for growth they are a veritable gold mine for business and should be tapped.

10. Extend Project Credit with Buy-back Arrangements

Japanese products are priced higher but the Japanese extend credit facilities to the Vietnamese buyers and are willing to accept deferred payments. Indian prices

are lower and competitive but we are unable to provide credit facilities. This problem has got to be overcome. If we are serious about capturing the Vietnamese market, India may consider giving some project credit, repayment of which could be in terms of buy back of products of that particular project.

11. There is a lead-time of maximum 12 months

Until last year Vietnam was cut off from loans from multilateral banks like World Bank, IMF and the ADB, after it routed the US and the South Vietnamese Government in 1975. After losing the war, the US, which is a major source of funds for most of these banks, declared an embargo on relations with Vietnam. This embargo was lifted in February 1994. With this, aid from multilateral agencies and foreign direct investments from all parts of the world have started flowing in. In November 1993 donor countries approved a package of \$1 billion loans. Next year the Paris Club Aid is likely to be of the order of \$2 billion. IMF also has approved a standby loan of 205 million. All these aid and inflow of FDI in recent months by Taiwan, Hong Kong, South Korea, Australia, Singapore and a host of other countries have created a golden opportunity for Indian companies to move in. But the lead time is not more than six to twelve months. If India loses this opportunity, Vietnam market will be lost for ever. □

VIETNAM RESPONDS TO REMOVE HURDLES IN THE TWO-WAY TRADE

November 28, 1994

As a follow up of the visit of Shri P.V.Narasimha Rao, Prime Minister of India, to Vietnam in September 1994, the Prime Minister of Vietnam Shri Vo Van Kiet had convened a meeting of officials of important economic departments to work out a suitable framework and remove hurdles coming in the way of expanding two-way trade between India and Vietnam, said Shri Truong Dinh Tuyen, Deputy Minister of Commerce and Leader of the Business Mission from Vietnam. The delegation had a meeting with the Commerce Secretary, Shri Tejendra Khanna, in New Delhi to discuss measures to expand volume of trade between India and Vietnam, added the Minister who was addressing a meeting of members of the Indian Merchants' Chamber and Indo-Vietnamese Chamber of Commerce & Industry.

Two sides have agreed to take steps necessary for promotion of trade and include the same in the MOU to be signed between India and Vietnam to create a legal framework for businessmen. It was also agreed to plan more frequent visits of delegations to each other's countries to find out market potential for products. Discussions were also held between the two sides as regards opening of direct shipping services and showrooms and warehouses in each other's countries. Shri Tuyen added. Volume of trade between our two countries could increase only if there is a direct shipping service and freight rates are competitive. Besides, there is a good scope to increase co-operation in the fields of railway equipment, farm machinery and sugar

machinery. As regards issue of visa, an agreement is signed between the two countries during the Indian Prime Minister Rao's visit to Vietnam to simplify procedures. Vietnamese Government is ready with a proposal for elimination of visa, waiting for Indian Government to respond, added the Minister.

Earlier, in his welcome remarks Shri F.T.Khorakiwala, Vice-President Indian Merchants' Chamber said that there are large number of items that India can export such as two-wheelers, commercial vehicles, textiles, cement, mining equipments, chemicals, drugs and pharmaceuticals, fertilizers, pesticides and consumer durables. The joint business council meeting identified housing, infrastructure, software consultancy, textile machinery, chemicals, pharmaceuticals, fertilizers, stamp paper, sugar, food processing, mining, oil and gas, tourism, transport and hotel industry as potential areas for joint ventures.

Speaking on the occasion, Shri Atul Bhagwati, President, Indo-Vietnamese Chamber of Commerce & Industry, said that the Government of Vietnam has decided to repay

interest on past credit from India and the Government of India has decided to recycle the same. Already an amount of \$ 13 million has been recycled and another \$ 18 million is likely to be recycled in the near future. There is a scope for sponsoring more and more delegations from Vietnam to India, Shri Bhagwati added.

Shri Rasik Upadhyay, Past President, Association of Merchants and Manufacturers of Textile Stores and Machinery, proposed a vote of thanks. □

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Duration : April 5-9, 1995

Venue : Giang Vo National Exhibition Ground - Hanoi

Display area 15,000 sq.m

Exhibitors 500

Host : Ministry of Trade

Co-ordinator : Chamber of Commerce & Industry of Vietnam (VIETCOCHAMBER)

Organisers : Vietnam Trade Fair & Advertising Company (VINEXAD), Related Departments from VIETCOCHAMBER Vietnam Exhibition-Fair Centre (VEFAC)

Stand Contractors : PICO Indochina, KINGSMEN Singapore

Freight Forwarders : Vietrans Translink Hong Kong

EXHIBIT PROFILE

* Consumer goods in general.

* Machines, equipments, spare-parts for building / agriculture / light / heavy industry, food processing, packaging, etc.

* Equipments and materials for infrastructure of all industries and urbanization projects.

* Equipments, apparatus for health services and environment protection

COST OF PARTICIPATION

Package stand USD 250 / sq.m, minimum 9 sq.m. at USD 2,250.

Above include space and basic fittings of wall on three sides, carpeted floor, fascia with company name in Vietnamese and English, one information counter, two chairs, two 40 W - fluorescent lights, one waste paper basket, one 13 A - 220 V electric socket, two ornamental plants

Indoor raw space USD 180 / sq.m, minimum 36 sq.m. at USD 6,480

Electric / electronic / informatic equipments stationary office machines, materials for interior decoration.

Means of transportation, machines for road / bridge / underground / port / airport and other civil engineering projects.

Agriculture produce and processed food drinks.

Gifts, toys school appliances, art-articles

Outdoor raw space USD 70 / sq.m, minimum 50 sq.m. at USD 3,500.

Contact :
VIETNAM TRADE FAIR AND ADVERTISING COMPANY
9, Dinh Le St., Hanoi, Vietnam.
Phone : (844) 255 546 - (844) 269 063
Fax : (844) 255 556.

FORTHCOMING INTERNATIONAL EXPOS IN VIETNAM : 1995

Name	Date
1. Shoes & Leather Machinery	7-10 MARCH
2. Textile & Garment Machinery	7-10 MARCH
3. Plastic Machinery	17-20 MARCH
4. Packprint & Food Processing	17-20 MARCH
5. AO, Electronics & Home Appliances	20-23 JUNE
6. Medical Dental & Pharmaceutical	21-23 JUNE
7. Motor, Auto	21-24 JUNE
8. Instrumentation, OA & Computer	19-22 SEPT
9. Medical, Dental & Pharmaceutical	19-22 SEPT
10. VIETBEX 95 - Construction material & infrastructure construction	27-30 SEPT
11. ENEX 95 Energy (Power & Coal)	27-30 SEPT
12. FOOD & HOTEL 95 Material & Supplies	5-8 OCT
13. Food Processing & Packaging 95	5-8 OCT
14. Energy (Power & Coal)	6-9 OCT
15. VITI 95 Trade & Industry Fair	OCT
16. Building & Construction '95	OCT
17. FOODTECH '95	OCT
18. VICME '95 Clothing Manufacturing Exhibition	OCT
19. VIETNAM TELECOMP '95 Communication, Computer & Broadcasting Equipment	NOV
20. AUTO VIETNAM '95 Automotive	DEC

VIETNAM'S AUTOMOBILE INDUSTRY

A Profile Prepared by the office of the Consulate General of India,
Ho Chi Minh City.

Until recently, Vietnam's road transport consisted mainly of East German and Russian trucks, buses and jeeps, three wheeled vehicles with modified Lambretta engines and an assortment of imported second-hand vehicles. The total vehicle fleet was estimated to be around 200,000 units. The trucks are aged and inefficient with payloads under 6 tonnes and operate on gasoline. The East German and Russian makes such as Molotova, Kamaz and Ifa, though popular and comparatively inexpensive means of transport, are said to emit excessive air pollutants, noisy and often dangerous. New trucks now being introduced are much larger upto 25 tonnes and with heavier axle loads and with better fuel efficiency and less pollution hazard. Also in the last four years, Vietnam has imported 20,000 new and used vehicles per year. There are now about 0.04 cars per capita. Of the current vehicle fleet, Toyota accounts for 20,000 units.

There are varying estimates about future demand for automobiles in Vietnam. According to one estimate, Vietnam needs 20,000 new cars and 40,000 other vehicles a year upto 2006. According to market surveys by some major car companies like Mitsubishi, Chrysler and Hino Motors, Vietnam would need 650,000 automobiles by 2005 (with 40 per cent of them being Sedans). It is also estimated that

the annual growth rates of vehicles are 6.7 per cent for sedans and 18 per cent for cars of commercial use and that on an average Vietnam needs 12,000 to 17,300 Sedans and 47,200 to 63,600 cars of commercial use per year.

Some 20 foreign automakers including eight of the world's ten leaders in the industry have shown interest of some kind or other in automobile manufacture in Vietnam. These include, among others, Chrysler, GMC, Toyota, Nissan, Suzuki, Hino, Mitsubishi, Peugeot, Renault, VM, BMW, Mercedes, Fiat, Iveco, Hyundai, Daewoo and KIA.

Vietnam's first two joint venture companies namely Mekong Corporation and Vietnam Motor Corporation (VMC) were set up in 1991, making it the 36th country in the world club of auto-makers. The third joint venture was established toward the end of 1993. In May 1994, the fourth joint venture received Alicence.

Vietnam's current production of automobiles is limited to the plants under Mekong Corporation and VMC with a combined capacity of 50,000 units per year. These plants are equipped with class two CKD assembly lines that include body painting, frame assembly, interior assembly, finishing and quality control lines.

The Mekong Corporation which is a joint venture between Japan's Saeilo Machinery, South Korea's Sae Young International, Sakyno company of Ho Chi Minh City and Agricultural and Dynamic Machinery of Hanoi has two plants; one located near Ho Chi Minh City for assembling four wheel-drive passenger vehicles using components imported from Nissan of Japan and Ssang Yong Motor Company of South Korea and the second located at Co Loa near Hanoi, to assemble trucks and buses using components and technical help from Iveco belonging to Italy's Fiat Group. The Mekong Corporation is said to be facing some marketing problems despite rigorous advertising campaign. However, in 1993, it exported some vehicles to Japan and China.

The second joint venture, Vietnam Motor Corporation (VMC), is the result of cooperation between a Vietnamese firm and a Philippines company.

The third joint venture is between M/S GAET Company belonging to Vietnamese Army and the Korean conglomerate Daewoo with the \$ 32 million project being set up in Van Dien, Thanh Tri near Hanoi. The 30-year joint venture involves 65 per cent stake by Daewoo with the Vietnamese side contributing the balance 35 per cent.

The fourth and the last joint venture was won by Mitsubishi last Year for manufacturing mini buses in Song Be near HCM City. The joint venture known as Vinastar Motors Corporation (VSMCO) has a total investment of \$ 50 million with an equity of \$ 16 million contributed by four partners namely Mitsubishi Corporation, Mitsubishi Motor Corporation, Proton of Malaysia and Vietranximex of Vietnam. The project is aimed at producing 5,000 mini buses per year in the initial phase covering 3 years and based on the existing 12-seater model. In the second phase, the capacity will be raised to 12,000 and the production would extend to cars, buses and mini trucks. Mitsubishi Motors will also assist VSMCO in producing spare parts and making contacts with other Japanese manufacturers of components and also will provide technical advisers and training of the joint venture teams. Mitsubishi had shown special interest in Vietnam's automobile growth. The company had presented to Hanoi a master plan on Vietnam's auto industry when the US embargo was still in effect, to the dismay of American and European automakers.

M/s Peugeot, France's leading car maker, is planning a \$ 60 million auto assembly plant in a joint venture with Vietnam National Forestry Machinery Corporation, to produce 1000 Peugeot model 405, four-seater vehicles in the first year and to increase the production to 7,000 cars within 10 years.

Germany's Volkswagen in

a venture with the steel-maker Thyssen has submitted a proposal to manufacture automobiles and spare parts. If approved, the German car maker will produce 2000 cars in SKD form in the first year and upgrade it to the CKD form in the subsequent years. Chrysler and General Motors who also had shown interest in automanufacture have reportedly been advised by Vietnam's Ministry of Heavy Industry to cooperate in the modernisation of the existing automobile assembly joint ventures (Mekong Corporation and VMC) rather than trying to establish new assembly lines. In fact Mekong Corporation is already said to be negotiating with Chrysler for technical cooperation. Toyota Corporation also made some presentations to the Ministry of Heavy Industry and expressed interest in auto assembly

Vietnam appears to pursue a cautious policy on the extent of foreign investment in automobile industry. According to Ministry of Heavy Industry, Vietnam wants by the year 2005 no more than two new car plants and three plants producing other kinds of vehicles and that foreign producers, trying to enter the Vietnamese market, would be encouraged to cooperate until 1995 with the two joint ventures, Mekong and VMC and that new car assembly lines would be allowed only after 1995. An important goal of the Ministry of Heavy Industry is to increase production of automobile parts in order to gradually reduce imports. As part of this policy, Vietnam now levies 100 to 150 per cent tariff on imported cars and trucks and about 35 per cent

tariff on automotive parts. (Import of right-hand drive vehicles is banned in Vietnam).

As regards other kinds of vehicles, on an average, 400,000 motorcycles and scooters are imported into Vietnam every year from Japan, Thailand, South Korea, Indonesia, Singapore, Taiwan, Italy, Russia and Germany. In 1993, more than 200,000 motorcycles were registered in Ho Chi Minh City alone. According to the published information, 2.2 million motorcycles and mechanised two-wheelers were registered in Vietnam until 1993. Of this, 93 per cent are of Japanese origin while 3 per cent are from Europe and the rest being accounted for by a wide assortment from neighbouring countries.

The favoured Japanese motorcycles are Honda, Suzuki, Yamaha and Kawasaki with a overwhelming share of the market being accounted for by Honda. Honda's popularity is attributed to its attractive model which meets the consumer taste, its longevity, with the first series of Honda imported into Vietnam in mid 60's still in use even after 30 years, its easy maintenance and repair facilities available alongwith comparatively cheap spare parts and lastly its four-stroke engine which has a strong psychological appeal.

Beginning from 1994, a motorcycle assembly plant set up by Chinh Phong group of Taiwan has started manufacture. The initial results of their marketing efforts have not been satisfactory. Meanwhile, Honda Motor Com-

pany is said to be planning for an assembly plant in Dong Nai near Ho Chi Minh City.

Pricewise, Indian two-wheelers enjoy a distinct competitive edge over other brands. However, there is general image problem which can only be overcome through a systematic marketing campaign based on a sound long-term strategy. Some local companies had shown interest in importing Indian two-wheelers, pursuant to various initiatives taken by this Consulate. However, they insist on shipment on consignment basis as they are not sure of the immediate saleability of Indian-made two-wheelers. Further, importers do not undertake active interest in marketing promotion on their own and the products have to move in the market on their own image or appeal.

Hence, overseas principals will have to underwrite and organize marketing efforts.

As regards three wheelers, the scope for Indian-made products is equally strong. However, the same market situation as that of two-wheelers applies to three-wheelers imports also. Recently Ho Chi Minh City traffic authorities, in order to control the burgeoning traffic, had sought to impose restrictions on the use of three-wheelers in Ho Chi Minh City. The market in the suburban and the interior areas of the country need to be targeted.

The Indian participation in Vietnam's automobile industry is at present limited to supply of some buses under credit, export of truck tyres and automotive parts (eg. gears), export of small num-

ber of cars, bus chassis and a small number of 2-wheelers and bicycles and their components. Tata buses will be supplied to Danang Bus Company under Government of India Credit. Indian truck tyres account for 70 per cent of the market in Vietnam. M/s Iveco of Italy who have technical collaboration with Mekong Corporation had supplied bus chassis from Ashok Leyland, Madras. Nissho Iwai have imported for trial marketing some Maruti-800 cars. On the investment side, a joint venture for automobile tyre manufacturing is being negotiated between CEAT and a local company. Agreement for this project has been signed in September 1994 when a business mission, led by Shri R. P. Goenka, Chairman, Ceat Ltd., visited Vietnam as part of the Prime Minister Shri Narasimha Rao's entourage. □

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Contact : Executive Secretary, Indo Vietnamese Chamber of Commerce & Industry, C/o Indian Merchants' Chamber, IMC Marg, Churchgate, Bombay - 400 020. Tel: 204 66 33



Shri Chandrasinh H Mirani, President, IMG, felicitating Shri Atul Bhagwati, on his election as President of IVCCI, at a reception on 12th January, 1995

At a reception to felicitate Shri Atul Bhagwati and Shri Suresh Kotak, President, and Vice President, respectively of IVCCI on 12th January, 1995. From L to R are :- Shri Jitendra Sanghvi, Shri Chandrasinh H Mirani, Shri Atul Bhagwati, Shri Suresh Kotak, Dr. Vu Van Luu and Shri Ranjan Bhatnagar.





Dr. Vu Van Luu, Vietnamese Consul General in Bombay, felicitating Shri Suresh Kotak, on his election as Vice-President of IVCCI, at a reception on 12th January 1995

Fourth Annual General Meeting of the IVCCI in progress From L to R are :- Dr. Vu Van Luu, Vietnamese Consul General in Bombay, Shri Atul Bhagwati, Member, Managing Committee (now President) and Shri Jitendra Sanghvi, Executive Secretary, IVCCI.



VIETNAM IN NEWS

Credit agreements signed with ADB

Two credit agreements for the upgrading of highway 1A worth US \$ 120 million (Nha Trang - Ho Chi Minh City portion) and restoration of the water supply system and sanitation in Ho Chi Minh city worth US \$ 65 million have been recently signed by Deputy Governor of Vietnam State Bank, Nguyen Ngoc Anh and the President of the Asian Development Bank (ADB).

Along with the credit agreements, ADB has also provided technical assistance worth US \$1.8 million to boost the capacity of the Water Supply Co. in Ho Chi Minh City, to research national water-pricing scales, and to install a management programme for the water supply system.

Subway for Hanoi

The Hanoi Municipal Authority is likely to invest over US \$ 600 million in construction of a 10 km -underground railway system. It will replace the current on-land railways, which crosses the inner city causing much disruption to other city transport.

A Japanese Company, Nippon Koei, has worked out two feasibility plans. The first is an underground system which is costing US \$ 610.5 million and the other is a flyway system worth US \$ 135 million less. Parsons Brincherhoff (USA) and Metroul Buchresti SA (Rumania) are likely to be involved in the project. Funding for the project is to be

sourced from World Bank and ADB.

Growing Nuts about cashews

Now the third largest cashew exporter in the world after Brazil and India, Vietnam plans to grow this crop on 2.1 lakh hectares and export of US \$ 100 million worth by the year 2000.

Cashew production has been steadily increasing since 1991 from 35,000 to 63,000 tonnes. In the first nine months of 1994 alone, Vietnam has exported 54,600 tonnes, worth US\$ 40 million. The target for 1995 has been set at 100,000 tonnes worth US \$ 60 million.

Since the ending of the US embargo against Vietnam in early February 1994, American businessmen have invested heavily in Vietnam, particularly in oil and gas exploration, hotel and tourism, food processing and consumer goods. Mobil, one of America's top oil manufacturers, returned to Vietnam after a 20-year absence to enter a joint venture to explore the Thang long (Blue Dragon) oil field.

In addition to the 22 projects licensed, about a dozen others are now waiting for approval or are under negotiation.

Vietnam needs US \$ 10 bln in ODA

Vietnam may need at least US \$ 10 billion of ODA from now until the year 2000, according to Vice Chairman of the State Planning Committee, Vo Hong Phuc.

The Government of Vietnam is expected to get at a donor conference in Paris more than US \$ 1.86 billion pledged last year. Vietnam would ask for more money to spend on transport, communication and electricity projects.

Japan, the largest donor with a commitment of over US \$ 500 million last year, has announced additional soft loans for Vietnam. As for USA, there was no reason why it should not pledge development aid for Vietnam, 'apart from humanitarian assistance, there could be other forms'.

Paris Club pledges Vietnam US \$ 2 billion

Vietnam received the nod at a meeting of international donors and agencies held in Paris, when an aid package of US \$ 2 billion was pledged for the year 1995. Reduced inflation, increased growth rate, and the increasing interest of foreign investors were said to be the factors that spurred the decision. The meeting, held under the auspices of the World Bank, was attended by 30 countries and international organisations with the United States as an observer. Measures to speed up the staggered disbursement of pledged credits were also discussed at the meeting.

IMF loans US \$ 535 million

The International Monetary Fund (IMF) announced a US \$ 535 million loan to Vietnam for its economic reform programmes over

the next three years. The loan will be drawn in six uniform instalments spaced six months apart. The first US \$ 89 million for next year will come in November. The loan has a repayment term of 15 years including 5 years of grace period and at annual interest rate of 0.5%.

Hi-tech industrial zone in HCMC

The municipal authorities of Ho Chi Minh city have proposed to the Central Government that a High-Tech Industrial Zone be established in HCMC. The aim of the zone is to attract foreign investment in the high-tech field to promote the development in all economic areas.

According to the study submitted to the Prime Minister by HCMC People's Committee, the High-Tech Industrial Zone will be built on a 300 ha plot, 15 km north-east of HCMC. The zone will cover high-tech enterprises, research and training facilities and service units. It is estimated that about 15,000 workers will be employed in the Zone. Most of them will be specialists in the following fields: electronics, telecommunications, pharmaceuticals, etc.

Heavy-weights enters Vietnam Telecom market

World leaders in telecommunication systems are stepping up fierce competition to get the lion's share of the Vietnam expanding market. About 130 companies from 20 countries took part in "Vietnam Telecom '94", a week-long exposition on electronics, telecommunications, informatics and broadcasting equipment, running

from 12 to 18 November in HCMC.

After lifting of the US Embargo, the telecommunication sector has been given priority by the Vietnamese Government. It wants to boost the number of telephone lines from 300,000 to 3 million in the next ten years. This made the sector turnover jumped from US \$ 45 million in 1991 to US \$ 150 million last year. At present Siemens (Germany) and Alcatel CIT (France) control between them 60% of communications in Vietnam.

Other players are Northern Telecom of Canada, NEC of Japan, Goldstar of South Korea, Ericsson of Sweden.

US \$ 20 billion expected by 2000

According to SCCI, Vietnam expected to attract US\$ 18-20 billion in FDI by the year 2000. The funds are to be invested in key industries and projects, such as the petroleum industry, which is capable of exploiting over 20 million tonnes of crude oil per year, construction of an oil refinery, completion of the pipeline which carries gas to mainland for power, fertilizer and LPG production, and the construction of ten industrial zones located in HCMC, Hanoi, Hai Phong, Hai Hung, Dong Nai and Song Be provinces - accommodating a total of 900 new factories valued at US \$ 5 billion.

France ranks first among EU's list of foreign investors in Vietnam

Seventyone French investment

projects have been licensed in Vietnam with total invested capital of US \$ 721 million putting France on top of the list of foreign investors from EU countries. Fifty-nine projects are operational with a total investment capital of US \$ 541 million while 11 projects have been revoked. So far French investors have put in US \$ 219 million for the development of those projects. France ranks eighth, among foreign investors in Vietnam.

US investors commit US \$ 200 million in Vietnam

According to SCCI, since the lifting of the US Embargo, 22 US companies have invested US \$ 189 million in Vietnam ranking the US 12th among some 50 foreign countries investing in Vietnam.

Some sizeable US projects are a US \$ 55 million oil JV between the US Mobil Corp. and a Japanese Corporation, Coca Cola Ngoc Hoi Soft Drink JV (US \$ 20 million), and a soft drink can manufacturing JV Crown Vinalimex (US \$ 41 million). Currently, 10 other projects by US companies are under consideration by SCCI.

Since March 1994, Vietnam has exported US \$ 34 million worth of commodities to the US, including coffee, ceramics, lobster, fish, etc. Also the US have balanced by exporting US \$ 30 million worth of equipment, auto parts and plastics, etc.

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VIETNAM OIL AND GAS : Vast Opportunities for Investors

This last quarter of 1994 marked an important milestone in the history of Vietnam Oil and Gas. For the first time, the gas from White Tiger (Bach Ho) oil field has been transferred onshore for the operation of the Ba Ria-Vung Tau thermo-electric Power Station, and oil is now flowing to from Big Bear (Dai Hung), another oil field, 280 km South East of Vung Tau. Adjacent to Big Bear will be the Dragon (Rong) field and many more oil fields. Business opportunities for investors are many, because in the hundreds of thousands of square kilometres of Vietnam's seacoast, 25% are now covered by 27 production - sharing contracts. The rest remain untouched and are waiting for new investors and exploration.

Oil and Gas fields in Vietnam, particularly the offshore ones, are very promising. But Vietnam is short of capital and technology for their development. Therefore Vietnam must rely on cooperation with other countries for their exploitation.

A BRIEF HISTORY

Petro Vietnam (formerly called Vietnam General Department of Oil and Gas), was established in 1985 as the National Oil and Gas Corporation with the task to explore and exploit oil and gas through Vietnam, including onshore, offshore and the special economic zones of Vietnam.

Before 1975, the Vietnam General Department of Geology had carried out oil exploration in the Red River Delta in the North of Vietnam, during the 60's with technical and financial assistance from the former Soviet Union. In addition a small gas deposit had been found in Thai Binh province, and drilled to a depth of 3000 m in 1975.

In the South of Vietnam, international oil and gas corporations began oil exploration in 1974. The former Sai Gon regime had signed 17 production sharing contracts with companies such as Pecten, Mobil, Esso, Marathon, Union Texas for oil and gas exploration and exploitation in the South Vietnam's (offshore) Mobil and Pecten had drilled 6 wells in 5 establishments in the South Con Son and Cuu Long basins. Two of them had commercial flows, (Dua and Bach-ho - IX). Those contracts were terminated in May 1975.

Between 1975 and 1980, Petrovietnam signed three PSC for oil and gas exploration in the Vietnam offshore. They are Deminex (Germany) for block 15, Agip (Italy) for blocks 4 and 12, and Bow Valley (Canada) - blocks 28 and 29. Those companies had drilled 12 wells on 11 establishments and found one block with oil and some others with oil signals. But they were reluctant to go ahead and therefore, those PSC were cancelled in 1980.

The period from 1981 to 1988, no foreign companies drilling on Vietnam's offshore, with the exception of the Vietnam-Soviet Union oil and gas joint venture (Vietsovpetro). Natural gas production began on a commercial basis from Tien Hai "C" gas deposit. However, oil and gas exploration in the Red River Delta came to an end in 1988.

Vietsovpetro had carried out seismic survey of a vast area from the North to South Vietnam's offshore, and in June 1986, Vietsovpetro produced the first tonnes of oil from Bach Ho (White Tiger). Production at Bach Ho reached 41,000 tonnes in 1986 and rapidly increased in the following years.

Although the number of exploration wells is limited, the achieved results are promising. The promulgation of the Law on Foreign Investment in Vietnam (1988) opened up a new period in the history of Vietnam's Oil and Gas Industry. Exploration carried out by foreign oil and gas companies under the PSC became exited. Petro Vietnam signed 28 PSC's with international companies. These included 27 PSC's for oil exploration offshore, and one for exploration in the Red River Delta.

In addition, Vietnam and Malaysia signed a MOU on the overlapping areas between Vietnam and Malaysia. The two

countries also authorised Petrovietnam and Petronas (Malaysia) to sign a commercial agreement on cooperation in oil and gas development in this area.

FIRST RESULTS

Between 1989 and 1993, those companies, which had entered into PSC's, had completed 42 exploration wells six of which gave oil and the another six gas. Most of the rest showed promising signs. At present, Vietsovpetro is the main producer in Vietnam but on October 14, 1994, the first commercial flow of oil came out from the Dai Hung (Big Bear) oil field, marked the second oil producing field. The Dai Hung oil field is 200 km from Vung Tau and has been exploited by a consortium of Petrovietnam, BHP (Australia), Petronas (Malaysia), Total (France) and Sumitomo (Japan).

Oil production from Bach Ho (White Tiger) has increased rapidly in the last few years. In 1993 this oil field yielded 6.3 million tonnes of crude oil and by the end of 1993 this oil field has yielded a total of 20 million tonnes crude oil, thus returning a large foreign currency flow needed for the country's development.

The other promising wells of the Bach Ho fields such as Tam Dao, Ba Vi, Ba Den, Soi had been exploited by Vietsovpetro but the capacity had not been estimated. In the near future, crude oil will exploit not only from Bach Ho and Dai Hung but also from Rong (Dragon) and other oil

fields in those blocks controlled by 28 PSCs. According to Dr. Ho Si Thoang, by the end of 1994 there will be 4 to 5 other companies announcing the good news on oil and gas discovering.

VAST OPPORTUNITIES AHEAD

Of those hundreds of thousand of sq km of the Vietnam offshore with high hydrocarbon potentials, only 25% has been allocated to 28 PSCs. The rest (75%) are still virgin and awaiting foreign investors. The new areas are the Mekong and south Con Son basins.

PSC have not been signed for the blocks in the far south west of Malay and Tho Chu basins, except for the block Fina Minh Hai. The blocks in the high potential areas of the Red River Delta and Phu Khanh basins also remain untouched. These blocks, given back by Vietsovpetro, are also promising. Petrovietnam will put them out to international tender for the exploitation after getting authorization from the government.

At present, Petrovietnam exploits 130,000 barrels of crude oil daily from the Bach Ho field. The vast amount of natural gas accompanying the oil is being burnt off. In order to utilize the gas, PetroVietnam has signed a contract with Hyundai Heavy Industry Co. (Korea) to build a pipeline to pump the gas onshore. By the end of 1994, for the first time in Vietnam, natural gas will be used to generate the electricity at Baria-Vungtau thermopower station. Also in 1994, Petrovietnam

signed a contract with Trans Canada Pipeline, British Gas and Mitsui (TMB) to carry out the feasibility study on utilization of natural gas exploited from the Bach Ho field.

Due to the vast deposits of natural gas in Vietnam, the State has decided to draw up a masterplan on utilization of natural gas in Vietnam. The Gas Industry, no doubt will be a promising opportunity for foreign investors in Vietnam.

At the same time, however, Vietnam today still has to export crude oil due to the lack of refinery facilities. Thus construction of an oil refinery is an urgent priority. Vietnam has set up a plan to build its first oil refinery with a capacity of 6 million tonnes per year.

A second refinery with the same capacity is also awaiting approval. Total (France), CPC and CIDC (Taiwan) has been given the responsibility to carry out a feasibility study for the first refinery. Distribution networks for oil products will also provide big business opportunities for Vietnam, large market of 74 million people. Investment in construction, provision of services such as leasing oil exploitation equipment, vessels, and other necessary facilities are also awaiting foreign investors.

Courtesy : Vietnam Foreign Trade No.4/1994, published by the Chamber of Commerce & Industry of Vietnam.

□

BUSINESS OPPORTUNITIES

CONSTRUCTION

Housing Development and Trade Company of Tan Binh District

Head office: 205-207, Ly Thoung

Kiet Str., Tan Binh District, Ho Chi Minh City

Tel.:84-8-907922

Director : Mr. Nguyen Phung Thieu

Established year: 1976 Legal Status:

State-owned Company

Main Activities:

-Trading, repairing, designing, interior decoration and construction of houses and buildings -Construction and improvement of transportation projects. - Trading and manufacture of building materials.

Hung Thinh Construction Enterprise (Pte.)

Head office: 10, C, Dien Bien Phu Rd.,

Bin Thanh District, Ho Chi Minh City

Tel.:84-8-995331, 990745

Fax:84-8-990745

Director : Mr. Tran Dinh Quyen

Established year : 1990

Legal Status : Private Company

Annual Turnover : US\$ 1.5 Mil.

Main Activities

-Construction of civil, industrial and irrigation projects, road and bridges.

*Project calling for foreign investment:

-Building and exploitation of hotels.

Long Giang Company

Head office : 15 B, Tran Khanh Du Str.,

Ha Noi Tel.:84-4-267668, 267669

Fax:84-4-267668

Director: Mr.Giang Dung

Main Activity:

-Contractor of civil, industrial projects, bridges and road.

Tan Binh Investment Construction Company

Head office: 51, Hoang Viet Rd., Tan Binh

District, Ho Chi Minh City

Tel.:84-8-440894

Director: Mr.Pham Xuan Hai

Established year : 1989

Legal Status: Joint Venture company

Annual Turnover: US\$ 3 Mil.

Main Activities:

-Exploration, designing and execution of construction projects.- Trading in building materials and real estate.

*Project calling for foreign investment:

-Building and exploitation of a residential quarter.

Bao Long Traditionally Pharmaceutical Company, Ltd.

Head Office: 126, Hai Thuong Lan Ong

Str., District 5, Ho Chi Minh City

Tel.:84-8-554413

Fax:84-8-395203

General Director: Mr.Nguyen Huu Khai

Branch:*Luong The Vinh Rd., Me Tri,

Tu Liem District, Na Hoi

Main Activities:

-Trading and manufacture of traditionally pharmaceutical products.

*Project calling for foreign investment:

-Plantation, processing and manufacture of pharmaceutical products from medicinal herb.

Established year : 1992

Legal Status: Joint Stock Company

Annual Turnover: US \$ 600,000

Vietnam National Printing Materials Equipment Export - Import Corporation

Head office: 175 B, Nguyen Thai Hoc

Str., Ha Noi Cable: PRINTIMEX

Tel.:84-4-232580,232581

Telex:805-412230 LHXNI VT

Fax:84-4-232410

Director: Mr.Pham Van Thiet

Established year:1989

Legal Status: State Owned Company

Annual Export Turnover: US\$ 4 Mil.

Annual Import Turnover: Us\$ 10 Mil

Main Activities:

-Export : Sandal timber and chips for paper-making.

-Import : Printing materials, machinery and equipment.

*Project calling for foreign investment in the field of printing.

Hai Phong Ship-Service and Demolition Corporation

Head office: 5, Ben Binh Rd., Hai Phong

City Cable: CODITAB

Tel.:84-31-42071,42270

Telex:805-311232 CODITAB VT

Fax:84-31-42270

Director: Mr.Nguyen Huu Thanh

Established Year:1981

Legal Status: State-owned Company

Annual Turnover : US \$ 1.8 Mil.

Annual Export Turnover : US \$ 1.326 Mil.

Annual Import Turnover : US \$ 0.404 Mil.

Main Activities:

-Manufacture of oxygen and demolition of old ships.

-Export:Scrap metals, industrial products and handicrafts.

-Import : Materials, machinery and equipment for production, old ships

-Ship-chandling - and repairing.

*Project calling for foreign investment:

-Repairing and demolition of old ships

-Dredging seaports.

-Manufacture and distribution of packages for container's goods

-Installation of steel structure for industrial and construction uses.

Tu Liem City Structure and Houses Company

Head office: Cau Giay Town, Tu Liem

District, Ha Noi

Tel.:84-4-345497

Director: Mr. Nguyen Thach Hoa

Established year : 1994

Legal Status : State-owned Company

Anual Turnover : US \$ 0.7 Million

Main Activities:

-Construction of civil and industrial projects,- Trading in real estate, renting houses and land.

-Manufacture of building materials.

*Project calling for foreign investment :

-Building houses for rent or sales

PLASTIC PRODUCTS

Cantho Plastic Factory

Head Office: 288, Cach Mang Thanh Tam

Rd., Can Tho City, Dong Nai Province

Main Activities :

-Manufacture and export : Plastic and

Tel.: 84-71-21534
Fax:84-71-25710
Director : Mr. Vuong Van Hoa
Established year : 1984
Legal Status : State-owned Company
Annual Turnover : US\$ 3.5 Mil.
Annual Export Turnover: US\$ 0.5 Mil.
Annual Import Turnover : US\$ 3 Mil.

rubber products, arts and crafts, garments.
-Import : Plastic materials, including
HDPE, LDPE, PVC, DOP, PS, HIPS, PVC.
*Project calling for foreign investment :
-Manufacture of PVC water pipes.
-Manufacture of high-grade plastic
products attached electronic com-
ponents.

Da Nang Plastic Company

Head Office:199, Tran Cao Van Str., Da
Nang City
Tel.: 84-51-22931, 22642
Telex:805-515704 PUBLIC VT
Fax:84-51-26461
Director. Mdm. Nguyen Thi Duc Lien
Branch:*9, Thang Long Rd.,Tan Binh
District, Ho Chi Minh City
Established year: 1976
Legal Status:State-owned Company
Annual Turnover:US \$ 4-5 Mil.
Annual Export Turnover:US \$ 400,000
Annual Import Turnover: US \$ 4 Mil.

Main Activities :
-Manufacture and export : Plastic
products, shopping bags, PP woven bags.
-Import : Materials and equipment for
plastic production.
*Project calling for foreign investment :
-Manufacture of household plastic
products and building materials.

OTHER PRODUCTS

Bong Lua Co., Ltd.

Head office: 21 A, Hung Vuong Rd., An
Lac, Binh Chanh District, Ho Chi Minh City
Tel.: 84-8-750317, 750558
Fax: 84-8-750317
Director : Mr Nguyen Xuan Su
Established year : 1992
Legal Status : Private Company

Main Activities :
-Trading, producing, assembling and
repairing engines, agricultural
machinery and water pumps.

Company for Investment and Development of Information Technology

Head Office: 67B, Ham Long Str., Na Hoi
Cable : INTEDICO
Tel.:84-4-265390
Fax:84-4-252867
Director: Mr.Tahi Minh Tan
Legal Status: State-owned Company
Annual Turnover : US \$ 6 Mil.
Annual Import Turnover : US \$ 5 Mil.

Main Activities:
-Realization of investment projects for
broadcast and television industries in
Vietnam. - Installation and technological
transfer of broadcast and television.
-Import : Broadcast and television
System & equipment

VIETNAMESE ECONOMY : Projections for 1995

The year 1995 is the last financial year of the five-year plan for the period 1991-1995 and many signs indicate that this five-year plan can be realised.

According to some official sources, Vietnam's economy in 1995 can attain the following figures.

	1995	Annually from 1991-1995
GDP	9-12%	8.2-8.4%
Total value of agriculture	4.5-5%	4.3-4.4%
Total value of industry	13-15%	13.4%
Total value of services	12-13%	11%

The export turnover can reach US\$ 4.5 billion, an increase of 25% in comparison with 1994. The import turnover is estimated at US\$ 5.5 billion or 22% increase in comparison with 1994. The grain harvest can achieve 26.5 to 27 million tonnes (an increase of a million tonne), electricity will increase by 16%, oil and gas by 14%, steel by 7.7%; cement by 13.5%; paper by 18%; sugar by 15%.

The stable and rapid development of Vietnam's economy in recent years will serve as a good start for the country to enter its new five-year plan (1996-2000) and into the next century.

(Courtesy: VIETNAM FOREIGN TRADE No 4/
1994,

Published by the Chamber of Commerce and
Industry of Vietnam)

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HO CHI MINH CITY - JTC GLOBAL HOLDINGS PTE LTD.,
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In terms of the Memorandum of Understanding, signed between the Vietnam Trade Fair and Advertising National Company (VINEXAD) and IVCCI on October 14, 1994 in Hanoi, to create favourable conditions for members of IVCCI to come to do business with their Vietnamese partners, VINEXAD will offer them special charges for services provided by it as below:-

Visa arrangement	
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VINEXAD will also arrange for IVCCI's members specific business meetings when they reach Hanoi
For further details contact

Mr. Le Trong (General Director), Vietnam Trade Fair & Advertising National Company, 9 Dinh Le St. Hanoi.
Tel. 267515/255513 Tlx 411528 BNT-VT Fax: 84-42-55556

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Edited & Published by Shri Jitendra Sanghvi for Indo-Vietnamese Chamber of Commerce & Industry
C/o: Indian Merchants' Chamber, IMC Marg, Churchgate, Bombay - 400 020 &
Printed by him at Noble Print Centre, Bombay - 400 010. Tel: 371 94 27