

WTO in 2006, which brings about great opportunities and challenges.

(2) The international integration forces the banking system to remove all kinds of barriers, discrimination and protective measures by 2008 and 2010, the definite date for Vietnam to implement requirements posed by the trade agreement signed with the U.S. This means that banks in Vietnam have to compete against one another in a level playing ground without any discrimination. In such an environment, local banks have a lot of opportunities to accelerate their development while dealing with great challenges.

(3) Besides chances to increase their financial strength, adopt new technologies and managerial skills, and improve their profit, local banks are also facing such dangers as keener competition from foreign rival, loss of market shares and customers, and poor business performance. Therefore, local banks find it difficult to survive and develop by doing the business according to old practices that only aim at short-term results. This means that they should adopt new and long-term business strategies to achieve their full potentials, overcome shortcomings, and make the best use of socio-political stability and high growth rate to obtain sustainable development.

Recent studies show that the most effective way for local banks to find firm footholds during the international integration is to make the best use of external resources based on long-term business strategies with clear objectives ■

# Measures to Develop the Capital Market in 2007-2010

by BÙI THỊ TRÚC QUY

**T**he Socioeconomic Development Strategy for the years 2001-2010 sets a target of doubling the GDP by 2010 in comparison with 2001. In the years 2006-2010, it demands a growth rate of 7.5% or 8% or higher if possible.

To achieve this target, the gross investment should amount to US\$140 billion, or 40% of the GDP, comprising 65-67% from domestic sources and 33-35% from foreign ones.

ones in recent years. In 2006 in particular, Vietnam's capital and finance markets gained very high growth rates and became an attractive destination in the eyes of foreign investors.

In such a situation, attracting more foreign investment, developing the capital market safely and integrate it into regional and international markets are major targets for financial authorities.

Sammy Ho, Director of Euro Events – organizer of capital market



Vietnam is integrating actively into the world market and opportunities to attract foreign investment are open to all sectors, which reflects itself in the boost in the stock market.

According to many experts, the Vietnamese finance market is among the world's fastest growing

supporting conferences – has remarked that the Vietnam's finance market had made so good progress that the Euro Events decide to hold a conference on development of capital and finance markets in Vietnam in late 2006.

The fact the Government is determined to equitize state-owned

Photo by Thiên Triều

companies provides foreign investors with opportunities to get access to new destinations for their money. The newly admitted WTO membership of Vietnam also helps it absorb indirect investment and allows local companies to get more foreign investment.

Many experts have agreed that local companies had great potentials for development because their starting points were very low in comparison with foreign ones. Sammy Ho thought it was this feature that appealed to foreign investors. In addition, the fact that many local companies are making preparations for listing their shares on foreign stock markets along with high growth rate of local stock ones last years has raised a lot of interest in their shares from foreign investing communities.

The market for bonds – one of effective channel for capital – also displays encouraging signs to the eyes of foreign investors. Ms. Yoko Ogimoto, an expert from Nomura Institute (NRI) said that, “We expect the issue of bonds in Vietnam to increase quickly in 2007-08 because the number of new issuers will rise. Certificates of indebtedness from Vietnam are saleable on the secondary market (with the issue of US\$500 million worth of government bonds on the international foreign market in 2006), which shows that foreign investors wanted to get access to Vietnam and helps local companies get access to global investing community.”

Many investors agreed that success of the Deutsche Bank in cooperating with the EVN to issue VND1,000 billion worth of bonds had paved the way for chances local companies to enter into foreign capital market. Deutsche Bank also predicted that the foreign markets for bonds would reach US\$770 billion and offer more chances for

local issuers to cooperate with foreign investors and get access to sources of long-term capital. This will help reduce dependence on traditional sources of capital.

A series of measures taken by SCIC (State Capital Investment Corporation) - that is responsible for managing the public capital in state-owned companies – to encourage effective and healthy development of the capital market has been appreciated by business circles.

Up to March 1, 2007, seven months after its establishment, SCIC have assumed rights to represent the ownership of state capital that is worth VND3,400 billion in 420 companies, equaling some 40% of the total equity capital of these companies. Of the said 420 companies, only some 20 have had their shares listed on the stock market. In 2007, SCIC planned to list some 22 more companies and help listed companies to issue more bonds.

To meet the demand for capital in the years 2007-2010 (some US\$140 billion) the following measures, in my opinion, are useful:

- Diversifying government bonds in order to develop them into standard commodities on the stock market, and encouraging companies to mobilize capital by issuing shares and bonds.

- Accelerating the equitization of state-owned companies, including four state-owned commercial banks and 71 state-owned corporations; and allowing them to list their shares on the stock market right after the equitization in order to increase their equity capital and support the development of the stock market.

- Implementing radically and broadly the delegation of financial management to subordinate bodies.

- Related authorities should perfect mechanisms of the stock

market, allow more participation of foreign investors in the stock market as required by the international integration, and help local companies engage in the international finance market.

- Portfolio of investments in the stock and capital markets by related authorities should be maintained and full attention must be paid to the foreign participation because it could serve as a dynamic of development in emerging markets.

- Ministry of Finance and State Commission of Securities should create a safe, effective and transparent environment for investment and protect investors from illegal practices.

- In the coming years, bold measures must be taken to reduce the state capital in companies by selling shares held by the State to the stock market and selling state-owned companies if necessary. This measure has been carried out effectively with Tiên Phong Plastics Company and Bảo Minh-CMG Insurance Company.

- SCIC should develop into a state-owned financial group by 2010 that could play a leading role in companies, controlling from 100 to 150 major companies in key industries that have a long-term and strategic meaning to the socioeconomic development. In major companies, SCIC will be the dominant shareholder and manage to have at least 80% of these companies listed on the stock market.

In short, the capital market in Vietnam offers many opportunities to both local and foreign investors. With rules and regulations suitable to international practices and laws, Vietnam could mobilize some US\$140 billion by 2010 to achieve its targets set for the socioeconomic development ■