

The securities market's construction and development is one of targets of the national fiscal policy. The securities market is an inevitable financial institution of a market economy under construction and development in our country. The Party and the Government have made firm determinations on the building and promotion of the securities market as well as on the implementation of economic development policies. This can be easily seen in the Resolution of the Party's Executive Committee's Plenum II; the Politburo's Resolution 10, the Resolution of the Party's eight congress, the

a high rate. The gross domestic product (GDP) rose between 6% and 7% annual in the past years and 6.2% in the first half of this year (while this figure was 4.3% in the SAMCOe period last year). The industrial growth rate was 14.3%, higher than that of the SAMCOe period last year. The foreign trade experienced a robust increase with the export value of over US\$5 billion, or increasing 28.5% year-on-year. In addition, more than 5,000 new enterprises have come into being with combined investment capital of over VND4,000 billion. This is a promising sign of the economy that has been highly appreci-

stock issuance and the strong attraction of the securities market. Furthermore the public income and living standard has been remarkably improved. The Party and the Government's policies have increasingly won local and foreign investors' confidence.

- The reformation process in the past years has given birth to a series of commercial banks, insurance firms, and other financial institutions. As a result, their harsh competition is easily understandable and it has promoted their business performance and led to dropping lending interest rates. These are decisive

# ADVANTAGES AND CHALLENGES ON THE PATH TO CONSTRUCTION AND DEVELOPMENT OF VIETNAM'S SECURITIES MARKET

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Resolution of the National Assembly, term IX, fourth session and a series of legal documents made by the Government. In the first step that counts, we have not a few advantages as follows:

- Our political system is stable. After many years of *đổi mới*, Vietnam has attained significant achievements. Our economy grows at

ated by foreign donors.

According to the last forecasts of the Asian Development Bank (ADB), the country's growth rate in the next two years will be rather high as compared with other ASEAN countries after the recent financial crisis. This is an important prerequisite to make favorable conditions for many enterprises and capital mobilization via

factors and conditions for the development of the financial market on the whole, and the securities market in particular.

- The Party and Government's policies on ownership diversification and multi-sectoral economy has been liberating all potentials of production and business, mobilize all capital sources for production and the build-

ing of the capital market. The Government has set up the Board for Equitization of State-owned Enterprises (SOEs) and assigned a minister as head of the board. This is a good sign and a very crucial condition for the success of the securities market when the equitization of SOEs is implemented smoothly. By July 2000, more than 430 SOEs have gone public.

- The Vietnam's legal system has been increasingly amended and perfected. This has created a favorable legal frame for the securities market's construction and development. It is noteworthy that the Government signed Decision 75/CP dated Nov 28, 1996 on the establishment of the State Securities Commission (SSC) and promulgated Decree 48/1998 ND-CP on July 11, 1998 concerning securities and the securities market. This is actually a legal framework for the process of building and promoting the securities market in our country.

- The business accounting system has been just amended and issued in line with the international common practices. In addition, the network of state audit, local and foreign auditing companies has taken shape and started their operations. This is also one of important and indispensable links in the process of forming and developing the securities market in our country.

- The country's information system has grown well. The strategy of acceleration of the post and telecommunications sector has recorded promising results and made significant contributions to the securities market evolution. The Vietnam's computerization has seen a robust growth. The application of latest software to the transactions in the securities market is not a hard work to local officials and experts.

- Regarding those participating in the securities market, many specialists say Vietnamese are willing to encounter risks, for example, they usually buy lottery tickets and dream of winning the lottery. They are hard working, intelligent, eager in studying and saving, many people like to make rich. Their habits of using savings have also faced many changes in line with the development of the market economy. If there are good considerations, appropriate incentives and effective training courses, an army of competent officials will be trained to undertake the tasks in the securities market. Their quali-



cations are not lower than those in regional countries and this will help operate the market up to the international standard.

- A very important advantage, which can not be skipped, is that our country may make the best use of experience from the advancers because it is the late comer in this area. Thanks to the country's policies for open door and integration, the national economy and foreign trade have attained many significant achievements. In addition, the assistance from the international community is very precious and has good effects on the country's economic development. This has also boosted the appearance and evolution of the securities market in our country.

Nevertheless, the country also faces many obstacles and challenges as follows:

- The market needs commodities for sales. However, goods for the Vietnam securities market are very modest in terms of quantity and variety, securities are commonly registered ones having poor liquidity.

- There are currently 43 joint stock companies competent for securities listing on the market. As compared with the total of 630 recorded by July 19, 2000, this figure is very modest, accounting for 6% only. So far, four shareholding companies have received to list, including Sacom, REE, and most recently, Hải Phòng Paper Co. and Transport & Warehouse Service Co. (Transimex). The rest has not yet wanted to issue their securities to the public and announce their prospectus due to their ineffective and unstable performance.

- Although the country's auditing system has taken shape and make good progress, it cannot meet all requirements of the securities market in terms of quantity and quality once the market is expanded.

At present, the country has above 20,000 enterprises. If one-tenth of this number register the stock issuance and need auditing, how long can the current auditing companies (19 including 6 foreign ones) fulfill their auditing?

Moreover, we also need the quality of audits, especially in the situation that law enforcement has not a few problems to settle.

- Vietnam is one of the countries having the lowest per capita income in the world, so when SOEs are equitized, a few people cannot afford to purchase shares.

- The habit of payment in cash remains popular among the public, even between enterprises. The payment system via banks is not highly effectual. The previous collapse of some commercial banks, and savings funds has destroyed the public confidence. These barriers have had impacts on the process of construction and development of the securities market.

- The army of managers in the securities market remains juniors. They are insufficient in terms of quantity, experience, knowledge, and skill. So many challenges are awaiting them.

- At present, the stock purchasers do not know much about the seller, they only depend on appearance signs such as the enterprise prestige...They do not think the seller may make ghost accounting and announce false profits while they are suffering big losses and will be bankrupt some day. Then the purchaser will bear all risks.

In short, although the Vietnam's securities market faces not a few challenges, it is able to make use of advantages and overcome the existing obstacles. In the past years, the Party, the Government and the people has made great efforts to remove barriers to create favorable conditions for the appearance of the country's securities market. The HCMC Securities Transaction Center has officially opened on July 20, 2000, started operations, and marked a new turning point in the process of the national industrialization and modernization. ■