

ON A MODEL OF THE STOCK MARKET IN VIETNAM

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Our nation is in a period of transition from the centrally planned economy to the market economy with the presence of various economic sectors, so the development requires an increasing capital.

Experience of developed countries showed that the stock market (SM) is the best way of mobilizing both foreign investment and dead money from the people. So the formation of a SM in Vietnam becomes a must for the development of the market economy. Once we said yes to the multi-sector economy with its paradox of value, we should, sooner or later, allow a SM to come into being in Vietnam.

As we know, in foreign countries, the capital necessary for the economic development comes from two sources: foreign investment and domestic dead money. Naturally, each source has different importance according to specified social situation of a nation.

Based on degree of internationalization, the SM could be divided into two kinds:

- Open SM (in England, America, Germany, etc.)
- Limited SM (in South Korea, Thailand, India, etc.)

What kind of SM is appropriate to Vietnam? There are two opposite opinions on this problem.

The first opinion says that in Vietnam there is a shortage of basic laws and of preconditions necessary for formation of the SM. These preconditions can't be assigned to the private sector or foreign financial organizations and the SM should be

formed and controlled by the public sector. Moreover, the public sector has played the leading role in our economy, so the preconditions for formation and development of the SM should be based on the public sector. Therefore, in Vietnam, it's wise to form a limited SM with the participation of the government and domestic businesses.

The second opinion argues that there is a shortage of capital, the need for capital from now till 2000 is great, the domestic source of capital is limited, budget deficit seems to last for a long time, so we had better form an open SM with the participation of foreign financial organizations.

Those two opinions have theoretical and realistic bases of their own, but in my view, we had better take a middle course by combining the characteristics of both two kinds of SM, because if we have a limited SM, we can keep its activities well under control but the mobilized capital is difficult to meet the demand of the economic development.

If we form an open SM, we can get capital necessary for developing the economy, but it will involve a high degree of risk, dishonest speculation will rig the market and many people could be defrauded, and at the same time, many artificial rise and fall in share prices will occur but not reflect the efficiency of businesses. The government will not be able to control the SM and the role of it in macro-economic management will be invalidated.

Thus, at the first stage of SM formation, its organizer and manager should be the government. A Securi-

ties and Exchange Commission (SEC), a governmental body, will promulgate all law documents on the SM, make regulations for the admission of stocks for trading, supervise its activities, struggle against frauds and set requirements for membership.

But at this early stage, technical aid from foreign countries is important, because we go short of legal infrastructure and techno-material basis. It will take a lot of time to have these conditions established, thus we can't form the SM at once but the government should secure aid from foreign countries in many fields (making law and regulation, technology, accounting, auditing, training managerial staff, etc.). This is a matter of great importance. No expense is spared to have our staff trained in foreign countries in order to have an army of experts who can control and manage the SM effectively in the future.

On the other hand, we can invite foreign experts in the stock exchange to organize workshops, seminars or training courses. But at the early stage, we had better limit operation of foreign stockbrokers. However, because of the government policy on attracting foreign investment, we can allow them to work in joint-venture or partnership with Vietnamese stockbrokers instead of making this business off-limits to them.

When the SM in Vietnam operates well, the government has much experience of managing and controlling the SM, foreigners and private companies could be allowed to take part in management of the SE, or even to form new stock exchange as a kind of joint-stock company, that is the trade of shares and securities of foreign companies need not be well under the management of the government. Foreigners are allowed to buy and sell securities in Vietnam stock-market according to the law. In South Korea, the stock market has come into being and developed for decades, but not before 1992 that the government of South Korea allowed foreign financial organizations to obtain membership of the South Korean stock market.

In short, the SM has a complex structure and various ways of organizing and operating. Each nation finds its own way of building the SM appropriate to its economic situation. In Vietnam the government should make detailed plan to build the SM and attract foreign investment with a view to realizing our plan for economic development ■