

Ten years after the Foreign Investment Law, Vietnam has attracted over 3,000 investment projects worth some US\$45 billion from 65 countries. The foreign sector has contributed remarkably to the economic development and stability. In 2001, some US\$2.8 billion was committed to Vietnam although the world overseas investment showed a downward tendency. However, all foreign-invested projects in Vietnam operate as limited compa-

Law (foreign shareholders own 30% at max, and 20% when listed). Joint stock companies with foreign investment are allowed to operate according to the Companies Law and this statute, and at the same time, all rights and incentives provided by the Foreign Investment Law are ensured. In our opinion, however, the regulation that sets the minimum 30% held by foreign shareholders could lead to fluctuations in stock prices and unpredictable conse-

assets estimated and expressed in a currency suitable to its book value and nature of its income; and (2) when listing on the stock markets, both local and foreign ones, the currency used for expressing the face value of shares is regulated by this statute and current regulations on the stock exchange.

Because this statute provides a pilot scheme to develop the foreign-invested joint stock company, the tasks of selecting companies to be in-

ON THE POLICY TO ALLOW FOREIGN-INVESTED JOINT STOCK COMPANIES

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nies – a class of companies that is suitable only to countries with no stock market or large-scale production. That is why allowing foreign-invested companies to go public is an inevitable demand and appropriate to the international integration process.

In December 2001, the MPI persuaded the Government to issue statute of foreign-invested joint stock companies. This policy aims at piloting a process of changing some foreign-invested companies into joint stock ones or establishing some new ones.

This policy not only ensures diversification of investment patterns, encouragement to both domestic and foreign investment and enhancement of business performance; but also helps develop a level playing field and facilitate participation of foreign-invested companies in the stock market. At present, regular falls in prices of stocks makes potential investors feel unsure of this market. We hope that the presence of foreign shares could put some more life into it.

According to the draft statute, in a joint stock company there must be at least one founder member, and foreign shareholders must hold at least 30% of its registered capital. This is the issue that helps distinguish between joint stock companies with foreign investment and joint stock companies regulated by the Companies

quences when shares held by local investors reach 70%. At that time, local investors will have to pay higher prices because the number of stocks offered by foreign shareholders will decrease. In addition, this regulation can cause technical difficulties when companies with foreign investment have their shares listed on the stock markets because tasks of listing and supervising transactions will become more complicated. Some experts have suggested allowing foreigners to buy shares from listed companies and this suggestion sounds reasonable. The Government had better consider removing barriers to foreign participation in joint stock companies.

How to value assets of foreign-invested companies before going public is also a problem. After going public and before listing, the value of a foreign-invested company is its book value. After listing, the value of the company is its market one. The MPI and Ministry of Finance have right to re-estimate the value in order to prevent wrong valuation.

Valuation of company's assets is a complicated job and there are various methods of valuing. To achieve an exact valuation, full attention should be paid to such factors as capital assets, tangible and intangible assets, and future profit.

To facilitate the process of going public, the company could carry out two phases: (1) the company has its

cluded in this scheme and establishing new joint stock companies with foreign investment become very important. According to this draft statute, foreign-invested companies taking part in this scheme must meet the following requirements: having registered capital paid up, having come into operation for at least three years (and making profit in at least one year), having the number of members as stipulated by the Companies Law.

If the foreign-invested companies, after going public and listing as regulated by this statute, operate successfully, they will become a new force that helps attract more investment and develops the stock market. To ensure good results for this scheme, we suggest an amendment to the second requirement listed above: the company taking part in this scheme must have at least four years of operation and make profit in two latest years. In addition, the pilot scheme must select companies from all sectors and industries with a view to facilitating the task of drawing necessary lessons before introducing the scheme on a larger scale.

We hope that the realization of this scheme will help perfect the statute and achieve the set targets: encouraging fair competition, attracting more investment, creating more jobs and accelerating the economic growth. ■