



Quan-Hoang Vuong

Financial Markets in Vietnam's Transition Economy

Facts, Insights, Implications

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Preface

The Vietnamese market economy has gradually emerged from the now defunct socialist centrally planned model, with a vibrant reform starting in 1986. Over the one fourth of a century, many substantial changes have brought about a functional market mechanism, new markets and associated institutions, a recognition of economic freedom for normal citizens and their legitimate private property rights, just to name a few.

The national economic life has since been brought up to a new level, attracting numerous international and national economists and social scientists. Yet, there has been always a gap between the economic development process of Vietnam and the understanding of the international community about the country – an emerging economy – mainly due to limited flow of information and inadequate research volume on Vietnams economic process. A number of economic issues, especially those in relation to the emergence of newborn monetary and capital markets, have been increasing along the process of transformation and market building. Frequent problems such as high inflation, stock market boom-bust cycle, asset liquidity, currency depreciation, and herd behavior have become familiar to the public and government.

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This monograph is set to bridge that gap in a number of ways. For the first time, several new and apparently increasing important markets, which have only emerged recently during the late phase of Vietnams economic renovation – usually referred to as *Doi Moi* – will be studied together in a more systematic way. These studies reflect a blend of empirical works and qualitative assessment that would likely result in a more intuitive reflection upon Vietnams

financial economy, with some concrete and well supported evidences. The work covers almost entirely the reform period of Vietnam, thus would help other economists to have a broader view about the economy, which has been believed by many to become the next perhaps small in the first place tiger in the Southeast Asian region.

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This monograph contains seven chapters, mainly focusing on the development and major features, issues of the Vietnamese financial system, including markets, participants, resources, performance, and issues. The markets that are dealt with here comprise of foreign exchange, corporate debt instruments, corporate equity stock and gold. These together represent the most advanced development of the Vietnamese financial system, which has grown up significant over the past 24 years of economic reform. Many believe that their spectacular growth and increasing role reflect the historical inevitabilities of the Vietnams economic process, and at the same time pose many questions of operational and economic efficiencies, as have been seen all over the world in recent years of economic crisis, especially 2007-2009. Naturally, our understanding of the Vietnamese economy, through the angle of the financial system and markets, would become valuable and useful for not only our knowledge but also actions and expectations in the future. This point alone would, I believe, validate the *raison d'être* of the work.

The majority of results and discussions presented here have been originally produced by the author, using different data samples (in terms of objects and time span) and analysis techniques. Some of the results reported here have grown up from previous ones, and have been revised and added duly, at times published at scholarly journals, such as *Vietnam Journal of Mathematical Applications*, *Economic Studies Review*, *Communist Review*, *the IUP Journal of Entrepreneurship Development*, *the IUP Journal of Financial Economics*, or some papers at Working Paper Series of Centre Emile Bernheim (2002-2010). Therefore, they also represent genuine contributions to the literature of financial economics in Vietnams transition economy.

Special Acknowledgement

I would like to take this opportunity to thank many people that have continuously been supportive of this challenging assignment over the past 10 years; some of them will be named here: André Farber, Ariane Szafarz, Michel Beine (Centre Emile Bernheim, Solvay Brussels School of Economics and Management, Université Libre de Bruxelles), Tran Tri Dung (DHVP Economic Research; who also acts as co-author of several chapters during the revision process), James Riedel (Johns Hopkins University), Nguyễn Van Huu (Vietnam National University, Hanoi), Pham Minh Chính (Ministry of Public Security), Truong Gia Bình (FPT Group), Do Huy Hoài (BIDV Securities Co.), Dang Lê Nguyễn Vu (Trung Nguyên Group), and Nguyen Duc Vinh (Techcombank). I would particularly thank the leaders of BIDV Securities Co. and Trung Nguyen Group for their heroic act of financially supporting this academic work. I believe they have been doing so not just because their corporate operations represent the leading market powers but also because they fully appreciate the insights that the work could bring to a larger international audience.

I would also like to thank the VDM Verlag editing staff who make this project possible, especially Kumar Dhora, my editor, for kind and helpful assistance. However, the author remains solely responsible for errors and mistakes contained therein.

Last, but not least, I am indebted to my family members, especially my wife, Dàm Thu Hà to whom I owe heartfelt support for my entire research life and my daughters, Thu Trang and Hà My, who have made my work really enjoyable and meaningful.

Vuong, Quan-Hoang
Hanoi, January 2010

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Introduction

Located in the Southeast Asia region, Vietnam is the main economy of the Indochina peninsula. The Indochina, comprising of Vietnam, Cambodia and Laos, was geopolitically defined by the French when they occupied the peninsula in the Nineteenth Century. Vietnam has the largest population of the three, approximately 86 million, and covers a total area of over 330,000 sq. km.

The start of Vietnam's contemporary economy dates back to 1946 period when the nation's independent status was regained from the French. No long after the Independence Declaration on September 2, 1945, the newborn Viet Minh-led interim government had to start building its own industries, historically to (i) strive for the economic independence, proving its own leadership; and (ii) prepare for an upcoming resistance war, anticipating the return of the French troops to Indochina in late 1946.

The military victory Dien Bien Phu over the French in the middle of 1954 marked the complete independence of the Northern Vietnam. Almost instantly, Northern leaders replicated the Soviet command economy model, blended with some Chinese modification, based on a Resolution of the Communist Party Congress III in 1959. Most of the fundamental components of the later Vietnamese centrally planned economy were laid down in the first 5-year Economic Program 1956-61, following the Soviet and Chinese 5-year plan model, as the economic cornerstone. In contrast, the South followed more or less the American market economy until the collapse of the American-backed Saigon regime¹ in spring 1975; at the same time Vietnam unified separated parts.

In 1986, ten years after the reunification of Vietnam, an extensive reform program, known as *Doi Moi* was initiated in the context the nation had undergone extreme hardship and economic crisis. The key ingredients of the *Doi Moi* program launched in 1986 remain the core of today's continued reform process of Vietnam, and its concepts are worth discussing now before we move

¹In this particular period, the Northern Vietnam was named Democratic Republic of Vietnam, and the Southern Republic of Vietnam. Few years after the defeat of the Saigon regime, the reunified Vietnam was given its existing name of the Socialist Republic of Vietnam.

on. From the economic perspective, the first ingredient should be the recognition of legitimate existence and rights of the non-state economy. This helps to generate a formally established private sector consisting more than 120,000 companies and hundreds of thousands of family-owned unincorporated enterprises; the spectacular change we would not have thought of had we lived in Vietnam early 1980s. A large part of financial and human resources have been freed up and turned into overall economic growth, wealth of the society and new productive engines.

Second is the departure from the Soviet-type centrally planned economy, a conceptual dismissal of its optimality and uniqueness. This change has led to a compromise of the Vietnam-defined ‘Socialism-oriented market economy with the State’s intervention.’ The phrase simply means a legitimate capitalistic economic model, with the political power uniquely gripped by the Communist Party. The Party continues to control and lead the State apparatus. However, despite the political retention, as the economic concept develops, the market issue gradually evolves to be of the primary concern and the major focus.

The third ingredient is the State’s re-defined functionality. A modern concept of the State is formed, that defines the State as an administrative apparatus rather than a supreme economic player, showing the national economy’s major changes in its *modus operandi*. The view is significant in the sense that based on this, the government should spend time on the policy issues, and only acts upon the society’s call as the player of last resort. It is the *de facto* change of its working modality. To this end, the government is forced to learn from the advanced Western concepts and models, and to properly and proactively restructure itself.

The above ingredients are not exhaustive, but seen as critically important in shaping the Vietnam’s contemporary economy. The agenda of advancing the reform process is basically to address these aspects at ‘newer spirals’. This round of reform involves a difficult assignment of restructuring and re-engineering the Vietnamese financial markets, which have inadvertently failed to address the economy’s need thus far. This work is devoted to thoroughly exploring the evolution of the Vietnamese financial markets, with an emphasis on developments after the launch of *Doi Moi*.

The exciting period 1990-2010 marked basic cornerstones for the market economy in Vietnam, with introduction of several most important financial markets into the emerging market economy (Vuong *et al.*, 2009, [197]). The overall objective of this work is to provide for an in-depth introduction of the Vietnamese economy, in general, and financial markets, in particular, chronologically and operationally. This introduction will be the guide for us to form a research discipline on Vietnam’s financial markets and other issues of its contemporaneous financial economy.

Chapter 1

An Overview of the Vietnam's Economy

Vietnam is clearly a fledgling market economy, with the market 'seeds' were only planted in late 1980s. The national financial system is still developing in its infancy. Even basic banking facilities are not familiar with the community.

With the opening of Vietnam's first post-war stock exchange, named as Ho Chi Minh City Securities Trading Center, citizens have new investment opportunities, and more importantly a renewed interest in financial markets. However, some 30 months after the first stock trade, many have realized that investing in a stock market is much of a challenge.

In general, most common investing vehicles for the public have not been diverse. We will name a few major 'items' that Vietnamese people tend to in their common portfolios. The first option is keeping gold as a store of value. This is understandable as many, especially aged people, underwent difficult periods of time in the past. An example should be the hyperinflation period of 1986-1989, through which they observed the value of gold was kept, to a large extent, stable. The second is the US Dollar, an increasingly important item in households' savings portion, plus other hard currencies, if any (the Euro of the EMS has been emerging as a major rival to the US Dollar). The third is land and home ownership. In fact, private land ownership is not legalized by law, only land-use-right that is. However, land and related real estates are regarded as fairly safe investments and savings, and in reality they grant *de facto* individual ownership rights.

Prior to 1990s, when people's income level and savings were generally very low, however, the economic reform has improved living standards and savings of the population significantly, in different ways. Businesses that deal with foreign currencies and problem of economic exposure

Chapter 2

Vietnam's Financial System

The financial market of Vietnam has just emerged following the overall reform program of Vietnam's economy. In fact, the evolution of the financial sector began with a lag of time, approximately four years compared to other economic sectors such as manufacturing and production related services. The increasing number of financial markets in Vietnam, and tools that the government could put in use is nothing more than a closer connection between macro policy goals, including monetary policy, and the market capability of transmitting signals and effects (Vuong and Tran, 2009:[194]). The weak connection between macro goals and micro-settings perhaps represents the most critical disadvantage of all economic studies in Vietnam, not just for monetary policy.

2.1 The Chronology of the Vietnamese Financial Markets

According to some published works (World Bank, 1995:[5]; Shimomoto, 1999:[158]; Oh, 1999:[137]; Riedel, 1997:[145]), the financial sector in Vietnam was assessed to be among sectors with the slowest pace of change and to have had many potential problems. Despite this fact, the financial sector of Vietnam has grown up significantly compared to the ancestor in the centrally planned time. The following summarize the important events of its evolution in a chronological order, together with major achievements, leaving the critical reasoning and discussion of issues until the diagnostics section subsequently.

2.1.1 Before the start of *Doi Moi* in 1986

One thing that should be stated up front and clearly is that virtually no financial markets had existed before the 1986 Doi Moi startup. The only three financial organizations that had been operating before 1986 were the National Bank of Vietnam (NBV), Bank for Investment and Development of Vietnam (BIDV), and Bank for Foreign Trade of Vietnam (VCB). Given the unique characteristics of the highly subsidized and centrally planned mechanism, the NBV had the most critical role in the financial system in the pre-Doi Moi period, thus deserves in-depth exploration before moving on to the new economic settings.

One of the important milestones is the establishment of the National Bank of Vietnam (NBV), the predecessor of the State Bank of Vietnam, in May 6, 1951. In the World Bank's review (*ibid.*[5]), the major attributes and roles of this NBV are identified as follows: (a) Functioning as a central bank, with a limited scope of activities such as money production; and (b) Funding the needs of a centrally planned and highly subsidized economy in war times, by executing the commands and decisions of the government. The resources of the newborn People's Democratic Republic of Vietnam then were so limited, that the Bank would only allocate the scarce financial resource to a few selected sectors, with priority for the need of defense expenditure.

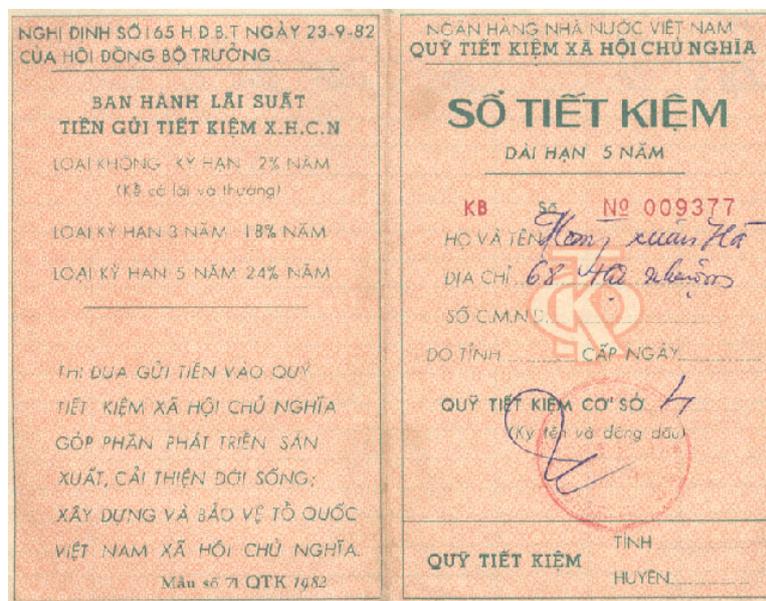


Figure 2.1: Saving book in 1983: financial debt instrument in primitive form

The main focus of the NBV in credit activities was to provide 'soft' loans to State-owned economic entities, which were serving the direct consumption and expenditure of the war-resisting government in the war stronghold in the North of Vietnam until the defeat of the

Chapter 3

An Empirical Study on Foreign Exchange

In this chapter, we examine exchange rates in Vietnam's transitional economy. Evidence of long-run equilibrium are established in most cases through a single co-integrating vector among endogenous variables that determine the real exchange rates. This supports relative PPP in which ECT of the system can be combined linearly into a stationary process, reducing deviation from PPP in the long run.

Restricted coefficient vectors $\beta' = (1, 1, -1)$ for real exchange rates of currencies in question are not rejected. This empirics of relative PPP adds to found evidences by many researchers, including Flôre *et al.* (1999), Lee (1999), Johnson (1990), Culver and Papell (1999), Cuddington and Liang (2001). Instead of testing for different time series on a common base currency, we use different base currencies (USD, GBP, JPY and EUR). By doing so we want to know whether theory may posit significant differences against one currency? We have found consensus, given inevitable technical differences, even with smaller data sample for EUR. Speeds of convergence to PPP and adjustment are faster compared to results from other researches for developed economies, using both observed and bootstrapped HL measures. Perhaps, a better explanation is the adjustment from hyperinflation period, after which the theory indicates that adjusting process actually accelerates. We observe that deviation appears to have been large in early stages of the reform, mostly overvaluation. Over time, its correction took place, leading significant deviations to disappear gradually.¹

¹This chapter has its root in the seminar paper, presented at SBS/CEB research seminar in May 2003. Its previous name was “*Exchange Rate Dynamics of the Reforming Vietnam: An Evidence of Long-Run Equilibrium*”. In this seminar, I received many useful and specific comments from professors, colleagues and doctorants. In particular, I am most grateful for comments from professors André Farber, Ariane Szafarz, Michel Beine,

Chapter 4

Gold and US Dollar in Vietnam

This chapter looks into properties of two *financial assets* that are popular in Vietnam's economy, the United State Dollar (USD) as a major, liquid, and familiar foreign currency; and gold, a traditional saving vehicle.

These financial assets have been so popular that people usually buy them for the purposes of savings, payments, and sometimes hedging against the depreciation of the local currency value. The trades of these assets are also natural and happen as part of daily economic life, therefore have grown up to be liquid markets. For this sole reason, understanding these assets and markets is an integral part of studying Vietnam's financial markets.

The chapter consists of two main parts, one on the gold factor in Vietnam's economy, the other empirical analysis on the USD. Each main part is organized in sequential subsections of (i) background; (ii) literature, data, and methods that enable the studying process; and (iii) main analyses and insights drawn upon the study.

4.1 An analysis of the gold factor

Gold with high purity has still played an important role in Vietnam's population as a payment, value-preserving measure. This section statistically investigates gold market and business in Vietnam. Although the data sample and the economic settings, that generate it, are from 1996 to 2004, whenever possible, update or supplementary information are provided properly.

4.1.1 Background on the gold factor

Gold has long been a symbol of wealth since ancient civilization of Egypt or Iraq, *ca.* 5000 B.C. In Asia, large countries such as India and China have also been major importers of gold. This

Impacts of the Asian crisis, and daily price limits

The last specification test is employed on the daily USD return in pursuing any possible effects of the Asian financial crisis and daily limits on the dynamics of the daily USD exchange rate return.

Three dummy variables to represent the crisis period, the limit of 0.1% and the limit of 0.25% are introduced into both mean and variance equations. The estimation outcomes are also highly significant for AR, MA, (G)ARCH terms, but do not unveil the strong effects of these limits and the Asian crisis on Vietnam return. There are two points in the rejections of these examined effects. First off, the daily limits do not show that they can help reduce the variance, although they are devised to reduce the risk of large jumps. Second, the Asian crisis has had little impact on the domestic exchange rate return can be attributed to the half-closedness of the domestic foreign exchange market, and perhaps strong measures taken by the government during the critical time.

Chapter 5

Vietnam's Stock Markets

Launched in July 2000, the Vietnamese stock market in Ho Chi Minh City made its milestone in the transitional process of Vietnam's economy. Five years later, another stock market was established in Hanoi. The two markets is playing a critical role of reflecting business investment decisions and considered an engine of both financial system and economy growth (Caporale *et al.*, 2004:[29]). And macroeconomic policies and settings focus on these markets' indexes in order to observe the nationwide business cycle (Fisher and Merton, 1984:[71]). Acknowledging the rising progress and spreading effect of this new capital channel, we devote this chapter to explain the formation ad development of Vietnamese stock markets. The main chapter results are divided into three parts: (a) Analyzing the market situations and anomalies; (b) Testing the market efficiency, and capturing GARCH effects in the stock returns; and (c) Examining the degree of connection to outside emerging stock markets in the world.¹

5.1 An Institutional Background of Vietnam's Emerging Stock Market

Since 1986, Vietnam has made many important changes to turn its economy into a market-oriented one, including reforming the banking system, adding more financial components, which had never been in place before the beginning of the reform, and most recently launching its first-ever stock market as a bold move towards building a market-driven financial economy; called Ho Chi Minh City Securities Trading Center (HSTC, in short). The birth of this early form of Vietnam's stock exchange had been nurtured for over seven years, marking a symbolic change to the Vietnamese contemporaneous financial system.

¹This chapter has been prepared with contribution from Tran Tri Dung of DHV&P Economic Research

Chapter 6

Vietnam's Corporate Bond Markets: 20-year Development

Corporate bond appeared in 1992-1994 in Vietnamese capital markets. However, it is still not popular to both business sector and academic circle. This chapter explores different dimensions of Vietnamese corporate bond market using a unique, and perhaps, most complete dataset. State not only intervenes in the bond markets with its powerful budget and policies but also competes directly with enterprises. The dominance of SOEs and large corporations also prevents SMEs from this debt financing vehicle. Whenever a convertible term is available, bondholders are more willing to accept lower fixed income payoff. But they would not likely stick to it. On the one hand, prospective bondholders could value the holdings of equity when realized favorably *ex ante*. On the other hand, the applicable coupon rate for such bond could turn out negative inflation-adjusted payoff when tight monetary policy is exercised and the corresponding equity holding turns out valueless, *ex post* (Vuong and Tran, 2010:[195]). Given the weak primary market and virtually nonexistent secondary market, the corporate bond market in Vietnam reflects our perception of the relationship-based and rent-seeking behavior in the financial markets. For the corporate bonds to really work, they critically need a higher level of liquidity to become truly tradable financial assets.¹

6.1 Rationale

Before the existence of any equity market in Vietnam, debt markets had already been established. Debt financing has thus become a common financing vehicle through either formal bank

¹The author would like to acknowledge Tran Tri Dung as co-author of this chapter.

Chapter 7

M&A Industry in Vietnam

This chapter studies the M&A activities in Vietnams emerging market economy, covering almost entirely the M&A history after the launch of *Doi Moi*. The surge in these activities since mid-2000s by no means incidentally coincides with the jump in FDI and FPI inflows into the nation. M&A industry in Vietnam has its socio-cultural traits that could help explain economic happenings, with anomalies and transitional characteristics, far better than even the most complete set of empirical data. Proceeds from sales of existing assets and firms have mainly flowed into the highly speculative industries of securities, banking, non-bank financials, portfolio investments and real estates. The impacts of M&A on Vietnams long-term prosperity are, thus, highly questionable. An observable high degree of volatility in the M&A processes would likely blow out the high *ex ante* expectations by many speculators, when *ex post* realizations finally arrive. The effect of the past M&A evolution in Vietnam has been indecisively positive or negative, with significant presence of rent-seeking and likelihood of causing destructive entrepreneurship. From a socio-economic and cultural view, the degree of positive impacts it may result in for domestic entrepreneurship will perhaps be the single most important indicator.¹

7.1 Why M&A?

Vietnams economic reforms brought about by *Doi Moi* (Vuong, 2004:[185]) started with a fairly radical epistemological advance of recognizing legitimate rights of private properties, the private economic sector. Simultaneously, the need of removing economic inefficiencies, rigidity and dysfunctional market and distribution systems became apparent and imperative. Market

¹The author would like thank Tran Tri Dung and Nguyen Thi Chau Ha of DHV&P for their valuable contributions to this chapter. He also would like to express great gratitude for generous support by Mr. Do Huy Hoai, Director of BIDV Securities Company.

Chapter 8

Concluding Remarks

For the particular recognition of critical roles that a financial system, through financial markets, can take in the Vietnamese economy, we will consider different aspects of Vietnam's financial markets.

8.1 A general remark

Based on the review, we realize that within a short period of time, the financial market of Vietnam has evolved through different stages and will continue to change, alongside the fast-changing Vietnam's economy. This evolution is noteworthy as the contemporaneous economy of Vietnam started only 50 years ago. Clearly, the economy lags far behind other regional economies, e.g. ASEAN-4, and the financial markets in general remain underdeveloped. However, given the deterministic route of reforming the economy and reintegrating to the regional and global economy, Vietnam has little choice but to continue to leverage the limited resources, including building on a better functioning financial economy. The far-reaching influence of financial markets in the modern economy is well articulated; thus, learning from substantive lessons is invaluable.

The critical issue is the lack of comprehensive and in-depth understanding about the functioning of a standard financial market and the specificity of Vietnam. By reviewing the situation thus far, the author proposes further research on the development of the financial market, most importantly the continuous reform of the banking system and the structuring of the securities markets, regulatorily and functionally. One serious problem that faces the policy makers and businessmen in Vietnam is the shortfall of guiding knowledge about the genuine mechanism of the economic machine, articulated in more scientific and quantitative ways. In light of this, our proposal to develop a narrow discipline of research on selected topics of Vietnam's financial

markets will fit the need. Naturally, the influence could be not only the specific understanding about the researched issues, but also unveiling of uncharted territory of research issues in relation.

We take M&A transactions for example. Although they have been critically important for both prosperity and sustainability of the nation's economy in the long run (Vuong, 2007, [186]), Vietnamese entrepreneurial characteristics also exhibit own issues, which could even potentially lead to more widespread destructive entrepreneurship in its future path. By participating in an M&A transaction, they proactively seek to add a new role of capitalist to their originally assumed entrepreneurial one, while their original role assumes no capital at the beginning of course of actions. To this end, M&A may represent a shift in economic function of many local entrepreneurs, including corporate entrepreneurs as managers (Vuong *et al.*, 2009, [197]).

Moving from the above more general remarks, in particular, given early signs of speculation, the Vietnam's fledgling stock market will need further adjustments and thorough knowledge to operate efficiently and economically, being an asset not the liability to the national economy. The limitation of knowledge of both administrators and populace about the functioning of financial markets and asset prices is now an impediment to both future growth and the safety of investment mechanism. We would like to also propose to develop a discipline of quantitative analyses on the financial markets of Vietnam to provide for insightful understanding of its features, ranging from stock price behaviors, return distribution to time series properties. One of the useful methods is to test the theories and qualitative conclusions empirically, based on the formulated and established models. The alternative is obviously the theoretical modeling route, which imposes the same degree of rigor to derive scientific conclusions.

Going down the empirical route, we can truly benefit from a rich literature and applied frameworks. In terms of theory, for instance, one can benefit from the applied mathematical statistics, such as Rose and Smith, 2002:[148], Abell et al., 1999:[105], or Terrell, 1999:[166], among many others. Besides, many underlying economic solutions have been aided greatly by the mathematical developments, both applied and theoretical, such as problems in optimization, differential and difference equations, for instance in standard texts and references of Tenenbaum and Pollard, 1963:[165], Hohn, 1973:[86], etc. We should emphatically mention the richness of the applied econometric literature in studying economic and financial problems, for which an overall, but useful, review can be found in Kennedy, 1998:[99]. For a thorough overview of key and forefront problems in financial economics, Cuthbertson (2000:[51]) will be of interest.¹

¹Although detailed relevant and related literature reviews have to be delayed until in each topical study, because the citations of those cannot be done here, given the general scope of this, these documents are quite

This discipline is virtually non-existent in Vietnam by the time this is written. Almost all the scientific and application questions of highly quantitative and mathematical nature have been danced around by the researchers, or more positively transformed to the qualitative fashion. And here comes the rationale of this essay presenting data and statistics as a starting point for researching Vietnam's financial markets, beyond a pure verbal assessment.

8.2 Some further analyses

Our analysis of the key macroeconomic variables in the reform time of Vietnam also provides us with several noticeable insights.

Stabilized economic conditions

The economic conditions in Vietnam have stabilized over time, after the shakeout departing from the previous centrally planned economic model. This has been a proof that the economy has passed the point of no return, enjoying new economic momentum despite difficulty ahead of the road. The growth of key macroeconomic indicators suggest that the economy continues to keep up the growing pace, with the single most prominent indicator of real GDP rate, ranking second only to China in the whole Asian region, in the wake of Asian financial turbulence. In brief, it has succeeded in achieving economic stability, thanks to the overwhelming transition process.

Trends and interrelated factors

Further analysis also shows that not everything is correct in such a growing trend. Financial resources continue to be skewed towards state-run sector, financial and manufacturing, despite adjustments have contributed to some shifting to a more liberal societal mobilization for private sector investments.

The clear trend we can see is growth, as all log-levels of time series exhibit nonstationary character over the past decade or so. The growth can be seen in all areas of the economy, from import-export, to national money generating dynamics, to national domestic productive energy. Their growth rates are naturally different in magnitudes, and behavior, however, they are mostly positive with some time trend. We can also realize that both FDI and private investment contribute substantially to the growth pace of the economy. On average, they both accessible and valuable in providing for needed background in researching our related issues. That is why they are mentioned here as recommended reference sources.

grow at nearly equal magnitude over time. However, the stability of FDI inflow appears to have been weaker than the private investment, with the worst downward trend is twice as large as that of private investment in slow times. Overall, the dispersion around the average of FDI growth is 31% (standard deviation), while private investment flow is about a half (13%). In the general context, our analysis shows that the growth in GDP tends to be weaker than some other interrelated economic variables. No proof on cointegrating relationship among GDP and money stock, consumption, and domestic private investment. The weaker GDP growth trend, possibly due to many unidentified reasons, has been offset by extensive expansionary credit flows within the economy, and equity investment by the private sector. Increased domestic consumption is another important factor that helps keep up the growth. Perhaps, these 'non-state' elements play the most critical role in the revamping of the economic downturn in late 1990s caused mostly by inefficient resource allocations and mismanagement of the giant state-run corporate sector.

One should not ignore the question of how the private sector grows with limited official support within the economy (except what economists called 'the unleashing'). The answer perhaps lies in the private financing system that operates within the sector. The private financing mode was diehard even in the command economy, and has proved to be efficient despite the limited resource of the sector. What missing in the picture is that a growing private sector, and market-economy components of the economy sooner or later require much better organized and commercially viable financial markets to genuinely serve the dynamic private sector. This argument leads us to the role of a better functioning financial system in Vietnam's economy, foreseeing more reforms in the road ahead.

The emerging bond market

We have also discussed in detail the bond market in Vietnam. This market has become more active with 130 government bonds issued over a short horizon. With the government shift to use bonds funding its budget, the market will likely grow even more rapidly.

Nonetheless, we also detect some points that bond issuing agency will need to address the planning of bond issues to maintain the financial markets in order. Given rather high frequency in issuing, the practice in fact reduces the liquidity, and makes the management of funds much harder. Coupon rates determination is another problem to solve. There is little ground to reason the small difference between medium-term bond, 5-year, and long-term one, 15-year. Wild fluctuations of rates over short period of time, such as in the case of 10-year bonds, could

also send mixed signals to the market, and make the pricing less justifiable. In some cases, there was even no difference between 5-year and 10-year rates.

This is clearly a flaw of the pricing system. With respect to bond rates, finally we should also note that close government bonds with high interest rates can jeopardize lending operations. By this we do not say that the rates are actually higher, but given banks' lending rates, risky loans are priced not much differently from a government bond. This in fact led several SOCBs rich of cash to invest in the bonds, drawing funds out of the productive sector, such as private manufacturing or services.

Roles of a better functioning financial system

The role of the domestic financial system has always been appreciated. However, such a system has not been available in the Vietnamese economy. Among many critically important roles, which the financial market can assume, we mention here a number of prominent roles for such a system if implemented appropriately:

- Extending of credits and equity to the most productive and profitable sector, the domestic private economy of Vietnam;
- Reducing cost of capitals and cost of transaction, which have been inflated through artificial shortfalls of capital and weak downstreaming money generating process of the economy; and
- Improving liquidity, and hence risk management tools, for prospective investors. This particular improvement can be done with a great help of a correctly installed (and functioning) stock market.

Entrepreneurship as a growth engine

Vietnamese financial markets are emerging and playing an important role in the nations economic development. The launching and rapid growth of stock, forex, gold, and land and real estate exchanges, however, apparently may also cause some adverse effects on a sound economic development process. Rampant speculations, irrational expectation, and financial frauds are detrimental to the socio-economic settings, in which entrepreneurship is born and nurtured. While development of entrepreneurship has been considered a crucial factor and critical growth engine for the transition economy of Vietnam, profiteering and rush for arbitrage opportunities, over-expected capital gain on speculative assets make speculators both more populated

and greedier. Quick and easy money-making illusion would, thus, likely harm and de-motivate entrepreneurial pursuits. In addition, instead of creating new values, which is critical to entrepreneurs, business people heavily rely on relationship-based and rent-seeking transactions (Vuong and Tran, 2009, [196]). The risk-return relationship in speculators eye has been reflecting a dangerous color: “Reward is given to those who love risk.” In light of this, perhaps, borrowing Harpers (2003:[83]) following judgment is highly relevant and timely “*Profit is a reward for superior perception or alertness; it is not a reward for risk taking or uncertainty bearing.*”

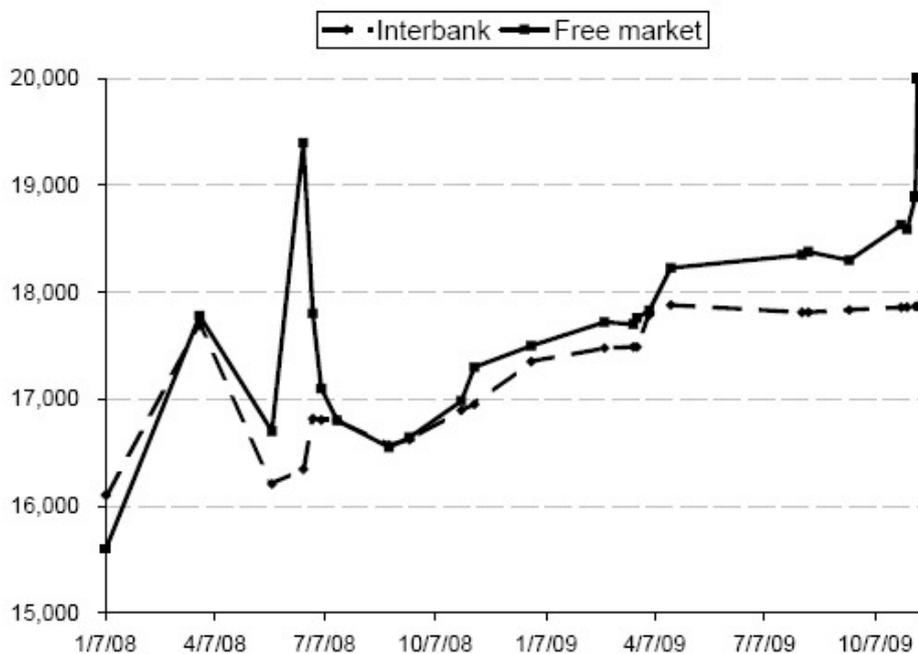


Figure 8.1: USD/VND exchange rate, 2008-2009

The role of entrepreneurs lies much in epistemological advances shown in the understanding by the populace, not as in a specific circumstance, but as a progress of economic revolutions, stable or turbulent times, reforms, and also a prevailing globalization process. While economic stimulus package is somewhat fashionable in worldwide governments, including the Vietnamese, the private sector development should be on spotlight. To this end, the financial system constantly has to take on the challenge of providing sufficient funds to entrepreneurial firms, usually perceived by many economists and policy-makers as privately-run SMEs. Understanding the financial system and likely behaviors of various financial markets is also crucial because the changing process of asset prices and inflation (including financial assets) could lead to very different outcomes in terms of entrepreneurial effort. For instance, the value of local currency

(VND) depreciated significantly against USD, 30% in free market only in the period from March 2008 to November 2009. And the depreciation in value in 2009 alone is already by 13%, as of November-end (see Figure 8.1). This phenomenon has not surprised economists since the pressure of both sovereign and commercial sector debt has been building over the past three years. Entrepreneurs in both functions as business and household could not escape these challenges, especially those coming from the financial markets in turbulent times.

This essay has addressed several specific questions about the Vietnamese financial markets. More issues and questions will surely emerge from the evolving process of the economy, and also some of the old problems should also be revisited at some later date. It is with the author's both hope and belief that early understandings and insights about such emerging financial economy would be beneficial not only to researchers and policy-makers in the developing world, but also to those who wish to gain knowledge of the financial world in general. Since many emerging financial markets have evolved to become more developed and full-fledged after a reasonably short period of time, say 20 years, Vietnam could possibly be one in the next group as expected by many.

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Appendixes

Appendix 1: Terms and acronyms

There are several terms that are used frequently when describing the current Vietnamese economy. Most of them reflect the recent changes of the economy shifting to a market-oriented model. Those terms used throughout this essay are summarized hereunder.

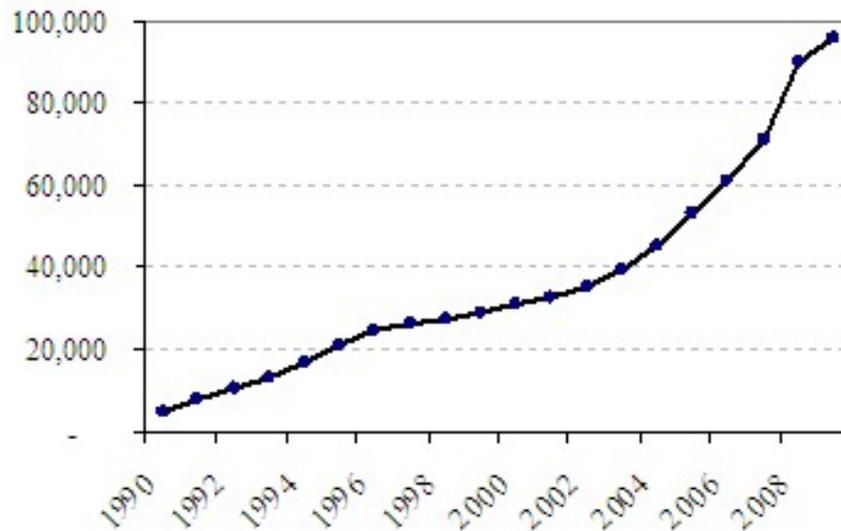
Doi Moi:

The reform process in Vietnam following the former Soviet's *perestroika* initiated by the former Federated Russia President M. Gorbachev in 1986. In Vietnam, *Doi Moi* was introduced by the late General Secretary of the Communist Party Nguyen Van Linh in the VIth National Congress, Nov-1986 (VCP's Central Committee, 1999). It was then vibrant that the concept of Doi Moi for the first time ever recognized the legitimate co-existence of the formal private, and thus capitalistic, economy. The program intended to build a multi-sector, multi-ownership Vietnamese economy. It forced the economy to depart from its previous highly centralized and heavily subsidized operation. However, it took Vietnam almost five years to have translated *Doi Moi* concepts into the practical economic and administrative reform.

The actual implementation of the new concepts only took place in early 1990s. The whole economy struggled hard through early 1990s, where the market concepts took the similar shape as they are now. *Doi Moi* concepts have been enriched and further enhanced through subsequent Party Congresses. The most recent Party Congress was held in Hanoi, April 19-23, 2001. A critical outcome of this Congress is it was able, after lengthy and painstaking debate, to decide to continue and further the *Doi Moi*, by voting for a new senior leadership of younger and better-educated personnel (see [46] for details.) It is commented that the new reforming group of the Communist Part leadership, containing a lot more reform ingredients, outweighs and outnumbers the conservatives. This move promises to deliver more rapid and thorough reform process in the years to come.

Following *Doi Moi*, the Vietnamese economy has expanded substantially, as shown by Figure (2) where GDP is computed in US Dollar from 1990 to 2009. The surge in real GDP led to continuous increase in per capita GDP, which induces more capital formation within the populace for future economic activities such as entrepreneurship and financial investments. The economic impacts of the extensive reform in the national economy have been profound and indisputable (see also, Pham and Vuong, 2009, [190]; Vuong and Tran, 2009, [196], [193]).²

Figure 2: Vietnams GDP, 1990-2009



Source: Vuong et al., 2009, [197]

Equitization:

The process of privatizing a state-run company, in which the target firm can be sold off to the public, completely or partially. After the process, the firm will no longer qualify as SOE and will then be called an **equitized company**, in effect, a shareholding firm classified as nonstate company. The word equitization is considered ‘politically correct’. The process of equitization had been very slow until the end of 1997. For about three years since new incentives and more ‘stick-policies’ were adopted, the number of equitized firms has increased significantly to over 500 companies. These newborn equitized companies join the non-state sector and become a weight in the government’s policy considerations. The equitizing speed is expected to accelerate over the next few years.

²This book solely focuses on the 1986-2003 period, before the substantial surge of activities in Vietnam’s capital markets and evolution to the stage of WTO membership

FDI:

Foreign Direct Investment is one of the stimuli of Vietnam's economy. FDI was first defined as a possible source of capital for the nation in 1996. Following a series of efforts in making laws and attracting FDI, the FDI influx started flowing to Vietnam in 1991-93. FDI inflow reached the peak in 1996 with committed investments of over USD 8 billion. After this happy year, the FDI investment dropped drastically due to both appreciating risks in doing business in Vietnam, and externalities triggered by the Asian financial turmoil.

In 1999, the National Assembly approved the Amendment of the Law on FDI, so as to encourage potential investors to consider Vietnam as FDI destination and to remove several sources of risks. However, many important issues remain and continue to worry existing and potential investors, such as financial mechanism for FDI firms to operate, taxation policy, employees recruitment constraints, project land clearance, customs procedures, etc. One of the key factor, which inflates the cost of doing business in Vietnam and is most frequently cited, is the rampant corruption at all levels of the administrative system. Vietnam is ranked the most corrupt country (with corruption index of 9.75 out of 10) in 2000 by PERC, Hong Kong, above China and Indonesia. A large campaign has been in place for several years to improve the image and business settings. However, it has not reached the level of expectation by both investors and the public. More should be done, and the corruption problem is also increasingly high on agenda, in part related to the removal of obstacles to FDI.

SBV:

The State Bank of Vietnam. SBV is the successor of the 1951-established National Bank of Vietnam (NBV). The SBV was created after the promulgation of the Ordinances on the SBV and on Banks, Credit Cooperatives, and Finance Companies in 1990. Since this time, SBV has played a pure role of central bank, and struggled to adopt a standard model of the open market economy. The need to reform SBV has emerged vitally together with the flaws of the banking sector as a whole, and continues to be critical until today.

SOE:

Before Doi Moi, an State-owned enterprise (SOE) was not really a company, although its name was. For a long time before the market economy and even in the first several years of Doi Moi, SOEs only serve to be an economic tool of the government with too few autonomous rights. The normal practice is that SOEs received capital, expropriating from the State budget, and

managed to accomplish the State-demanded or State-planned objectives. Since the introduction of Law on State-owned Enterprises (1995), all SOEs have operated in compliance with this Law. However, the society has realized the many shortcomings and flaws of this Law, and nowadays demands amendments and more radically even a complete rewriting of this. In a politically correct statement, one has to say the SOE sector is the underpinning factor of a socialist national economy and is mandated to show its leadership in all economic operations. However, the Vietnamese SOE sector's actual performance has thus far been very disappointing and its supposed leadership has been critically questioned.

SOCB:

State-owned commercial bank. This concept has emerged since the introduction of the existing two-tiered banking system, and become popular after the birth of the four largest SOCB in 1990s, namely Bank for Foreign Trade of Vietnam; Bank for Agriculture and Rural Development; Industrial and Commercial Bank of Vietnam; and Bank for Investment and Development of Vietnam. The abbreviation SOCB is to contrast JSCB.

JSCB:

Joint-stock commercial bank. This concept has emerged since the introduction of the two-tiered banking system in combination with the State's recognition of existence of the private economic sector. A JSCB is *de facto* a commercial banking with part or all of its equity being held by the public, both individually and institutionally.

The State does not take charge of establishing such a bank, and if there is any equity holding by the State in such a bank, it is rather in the form of capital contribution through a State-owned institution, either bank or SOE. The first JSCB is the Vietnam Bank for Export and Import (Eximbank), with a substantial holding of statutory capital by SOEs, for example Vietcombank, Incombank, Vietnam Maritime Co., Vietnam Container Shipping Co., ect.

Realizing many loopholes and weaknesses in bank management practices, the Government and the SBV have signaled a stern message since 1998 that JSCBs of lower quality operations be merged, acquired or restructured to improve the overall quality and creditworthiness. The program has also been firmly supported and hailed by major donor organization to Vietnam, e.g. EU, World Bank and IMF. The actual progress of this restructuring scheme turned out to be so slow, however stern the message was. The more or less important effect was, in reality, the additional supplies of capital to non-target banks, i.e. the four largest SOCBs, who were

adversely affected by past credit quality problems.

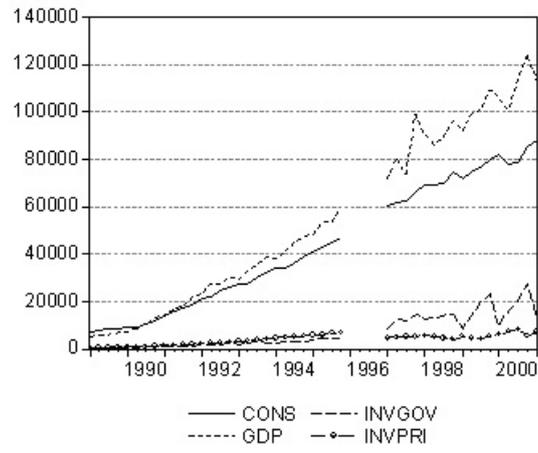


Figure 3: Real GDP and consumption growth

Appendix 2: Banking sector data

Table 1: State-run commercial banks: SOCBs

Bank	Scope	Est.Date(*)	Equity(**)	Remarks
Indus.-Comm. Bank VN	National/Hanoi/92	9/21/96	712.8	Commercial
Bank for Agri.-Rural Dev't.	National/Hanoi/578	10/15/96	2,122.2	Commercial-Policy
Bank for Foreign Trade	National/Hanoi/18	9/21/96	732.2	Commercial
Bank for Investment-Dev't.	National/Hanoi/86	9/21/96	784.9	Commercial-Policy
Bank for the Poors	Rural areas/Hanoi/570	9/1/95	700.0	Policy lending
Bank for Mekong Delta Housing	Mekong delta (South VN)	9/18/97	600.0	Policy lending

Table 2: Joint-stock commercial banks: JSCBs-National and Provincial line

Bank	Scope	Est.Date*	Equity**	Remarks
Maritime Bank	Regional/Hai Phong/3	6/8/91	109.3	(a)
Vung Tau Bank	Provincial/Vung Tau/2	8/28/91	55.5	(a)
Saigon Commercial Bank	Regional/HCMC/5	12/5/91	71.0	(a)
Dai Nam Bank	City/HCMC	12/31/91	23.3	(a)
Dong A Bank	City/HCMC	3/27/92	85.0	(a)
Exim Bank	Regional/HCMC/4	4/6/92	250.0	(a)
Mai Phuong Bank	Provincial/Binh Duong	3/31/92	20.0	(a)
Tay Do Bank	Provincial/Rural/Can Tho/2	4/6/92	7.6	(a)
Hanoi Building Bank	Regional/Hanoi/2	6/6/92	50.0	(a)
HCMC Housing Bank	Regional/HCMC/2	6/6/92	42.1	(a)
Que Do Bank	City/HCMC	6/6/92	10.0	(a)
Gia Dinh Bank	City/HCMC	8/22/92	45.6	(a)
Da Nang Bank	Regional/Da Nang/2	6/25/93	3.0	(a)
Nam A Bank	City/HCMC	8/22/92	29.4	(a)
Viet Hoa Bank	District/HCMC	8/15/92	73.0	(a)
Tan Viet Bank	District/HCMC	8/22/92	70.0	(a)
De Nhat Bank	City/HCMC	4/27/93	38.5	(a)
Phuong Nam	City/HCMC	3/17/93	70.2	(a)
Saigon Comm-Indus. Bank	Regional/HCMC	5/4/93	99.8	(a)
Asia Comm. Bank	National/HCMC/6	4/24/93	353.7	(a)
Techcombank	National/Hanoi/4	8/6/93	70.0	(a)
VP Bank	National/Hanoi/4	8/12/93	174.9	(a)

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Vien Dong Bank	Provincial/An Giang/2	12/9/93	10.0	(a)
Nam Do Bank	City/HCMC	12/29/93	27.1	(a)
Me Kong Bank	Provincial/HCMC	12/31/93	50.0	(a)
Hai Phong Bank	City/Hai Phong	3/23/94	5.0	(a)
Bac A Bank	Provincial/Nghe An	9/1/94	20.0	(a)
Military Bank	Regional/Hanoi/2	9/14/94	100.0	(a)
AP Bank	City/Hanoi	11/7/94	70.0	(a)
International Bank	Regional/Hanoi/3	1/25/96	50.0	(a)
Phuong Dong Bank	City/HCMC	4/13/96	70.0	(a)
Thanh Thang Bank	District/Can Tho	4/6/92	4.8	(b)
My Xuyen Bank	District/An Giang	9/12/92	3.0	(b)
Dai A Bank	Provincial/Dong Nai	6/23/93	2.9	(b)
Rach Kien	Provincial/Long An	12/29/93	2.9	(b)
Tan Hiep Bank	Provincial/Kien Giang	6/23/93	2.0	(b)
Ninh Binh Bank	Provincial/Ninh Binh	11/13/93	2.5	(b)
Hai Hung Bank	Provincial/Hai Duong	12/30/93	2.0	(b)
Quang Ninh Bank	Provincial/Quang Ninh	5/28/96	2.7	(b)

Note: Scope refers to (Level/HQ/no.-branches); (*)As to SOCBs, corporatized date means the date on which they were re-established as market-model economic entities, while simply the legitimate establishment date to JSCBs; (**) Equity in billions of VND in 1999; (a) Private commercial; (b)

Communal-commercial

Table 3: JSCB: Provincial-district line

Cai San Bank	Provincial-District/Can Tho	4/6/92	10.6	(b)
Dong Phuong Bank	Provincial-District/Lam Dong	10/22/92	1.1	(b)
Co Do Bank	Provincial-District/Can Tho	4/6/92	1.6	(b)
Chau Phu Bank	District/An Giang	9/12/92	2.5	(b)
Dong Thap Muoi Bank	District/Dong Thap	11/13/93	1.2	(b)
Nhon Ai Bank	District/Can Tho	11/13/93	3.0	(b)
An Binh Bank	District/HCMC	4/15/93	1.2	(b)
Tu Giac Long Xuyen	District/An Giang	11/13/93	1.5	(b)
Phu Tam Bank	District/Soc Trang	6/23/93	1.0	(b)
Song Kien Bank	District/Kien Giang	9/18/95	1.1	(b)
Kien Long Bank	District/Kien Giang	9/18/95	2.0	(b)
Hai Phong Rural	District/Hai Phong	11/29/95	2.1	(b)

Note: Scope refers to (Level/HQ); Equity in billions of VND in 1999; (b) Communal-commercial

Appendix 3: Non-bank finance companies data

Table 4: Non-bank financial institution

Company	Type	Reg. Location	License Date	Statutory Equity
Saigon Finance Co.	Domestic	Ho Chi Minh City	9/12/1991	17.0
Seaprodex Finance Co.	Domestic	Ho Chi Minh City	7/9/1992	10.5
Vietnam International Leasing Co.	J.V.	Ho Chi Minh City	10/28/1996	69.5
Korea Exim Bank Leasing	J.V.	Ho Chi Minh City	11/20/1996	138.9
Vinatex Finance Co.	Domestic	Ho Chi Minh City	8/3/1998	30.0
Petro Vietnam Finance Co.	Domestic	Hanoi	12/10/2000	100.0
VNPT Finance Co.	Domestic	Hanoi	10/10/1998	70.0
VBARD Finance Leasing I	Domestic	Hanoi	8/27/1998	65.0
VBARD Finance Leasing II	Domestic	HCMC	8/27/1998	55.0
Vietcombank Leasing	Domestic	Hanoi	5/25/1998	55.0
BIDV Finance Leasing	Domestic	Hanoi	10/27/1998	55.0
Vinalease	J.V.	Hanoi	12/1/1997	118.0
ICBV Leasing Co.	Domestic	Hanoi	12/1/1997	55.0

Note: Equity in billions of VND

Appendix 4: Government Bonds

Table 5: 15-year maturity government bonds 2000-04

Issue	Coupon rate %	Size uob	Value VND bn.	Value USD mn.	Issue	Coupon rate %	Size uob	Value VND bn.	Value USD mn.
9/12/02	9.99	1000000	100	6.6	10/2/03	9.7	2000000	200	12.9
10/8/02	9.15	1000000	100	6.5	10/24/03	9.5	1000000	100	6.5
11/15/02	9.17	1200000	120	7.8	11/18/03	9.5	2150000	215	13.9
12/10/02	9.18	1000000	100	6.5	11/21/03	9.4	2000000	200	12.9
12/12/02	9.18	700000	70	4.6	11/27/03	9.5	1000000	100	6.5
12/24/02	9.18	800000	80	5.2	11/28/03	9.5	1270000	127	8.2
2/25/03	9.18	1100000	110	7.2	12/8/03	9.4	1000000	100	6.4
2/26/03	9.13	1100000	110	7.2	12/19/03	9.4	1300000	130	8.3
3/14/03	9.7	1000000	100	6.5	12/23/03	9.4	2000000	200	12.8
3/28/03	9.13	700000	70	4.6	12/25/03	9.4	1000000	100	6.4
4/16/03	9.18	1150000	115	7.5	12/26/03	9.4	800000	80	5.1
4/29/03	9.18	1200000	120	7.8	1/15/04	9.4	700000	70	4.5
5/14/03	9.18	1420000	142	9.3	2/3/04	9.4	500000	50	3.2
6/12/03	9.18	1500000	150	9.8	2/9/04	9.4	1000000	100	6.4
6/13/03	9.18	400000	40	2.6	2/16/04	8.59	500000	50	3.2
6/23/03	9.18	700000	70	4.6	2/17/04	9.4	1500000	150	9.6
6/30/03	9.18	5000000	500	32.7	2/18/04	9.4	2000000	200	12.8
8/28/03	9.7	1000000	100	6.5	2/20/04	9.4	1500000	150	9.6
9/9/03	8.84	4390000	439	28.7	2/23/04	9.4	1150000	115	7.4
9/10/03	8.84	1000000	100	6.5	2/25/04	9.4	2000000	200	12.8

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9/11/03	9.7	600000	60	3.9	2/26/04	9.4	4000000	400	25.6
9/12/03	9.7	1250000	125	8.2	2/27/04	9.4	1300000	130	8.3
9/15/03	9.7	1200000	120	7.8	3/1/04	9.4	5050000	505	32.4
9/25/03	9.7	2000000	200	13.1	3/8/04	9.4	1000000	100	6.4
9/26/03	9.7	1000000	100	6.5	3/15/04	8.59	500000	50	3.2
9/30/03	9.7	2000000	200	12.9	3/19/04	9.4	1100000	110	7.1
10/1/03	9.7	1200000	120	7.7					

Sources: State Securities Commission; public media. Database: organized and updated by Dan Houtte, Vuong & Partners. uob: units of bond.

Table 6: 10-year maturity government bonds 2000-04

Issue date	Coupon rates	Size	Value	Value
	%	units of bond	VND bn.	USD mn.
4/15/02	8.1	1210000	121	8.0
5/6/02	8.3	900000	90	5.9
6/20/02	9.15	1000000	100	6.6
8/16/02	9.1	1000000	100	6.5
9/18/02	9.1	300000	30	1.9
10/21/02	8.38	650000	65	4.2
11/6/02	8.4	1200000	120	7.8
1/21/03	9.2	550000	55	3.6
2/26/03	9.2	250000	25	1.6
3/28/03	9.3	200000	20	1.3
6/13/03	8.51	600000	60	3.9
7/15/03	8.15	600000	60	3.9
7/31/03	8.51	650000	65	4.2
8/13/03	8.42	500000	50	3.2
9/15/03	8.42	450000	45	2.9
9/16/03	9.2	100000	10	0.6

Sources: State Securities Commission; public media. Database: organized and updated by Dan Houtte, Vuong & Partners.

Appendix 5: VECM representations for empirical outcomes

VECM for the s_{USD} ; one cointegrating equation

$$\begin{bmatrix} \Delta s_{USD,t} \\ \Delta p_{US,t} \\ \Delta p_{VN,t} \end{bmatrix} = \begin{bmatrix} -0.001578 \\ 0.001663 \\ 0.005952 \end{bmatrix} + \begin{bmatrix} -0.003367 \\ 0.001276 \\ 0.018291 \end{bmatrix} ECT_{t-1} + \begin{bmatrix} -0.055924 & 1.427927 & 0.440665 \\ -0.002373 & 0.211413 & 0.012911 \\ 0.080565 & -0.896124 & 0.596273 \end{bmatrix} \begin{pmatrix} \Delta s_{t-1} \\ \Delta p_{US,t-1} \\ \Delta p_{VN,t-1} \end{pmatrix} + \begin{bmatrix} \epsilon_{1,t} \\ \epsilon_{2,t} \\ \epsilon_{3,t} \end{bmatrix} \quad (1)$$

where the ECT_{USD} is provided in eq.(3.17)

VECM for the s_{GBP} ; one cointegrating equation

$$\begin{bmatrix} \Delta s_{GBP,t} \\ \Delta p_{UK,t} \\ \Delta p_{VN,t} \end{bmatrix} = \begin{bmatrix} -0.001438 \\ 0.003431 \\ 0.004889 \end{bmatrix} + \begin{bmatrix} -0.009024 \\ -0.002894 \\ -0.006823 \end{bmatrix} ECT_{t-1} + \begin{bmatrix} 0.041636 & 1.297714 & 0.225891 \\ 0.001141 & 0.073908 & -0.096198 \\ 0.046874 & -0.875098 & 0.660372 \end{bmatrix} \begin{pmatrix} \Delta s_{t-1} \\ \Delta p_{UK,t-1} \\ \Delta p_{VN,t-1} \end{pmatrix} + \begin{bmatrix} 0.047431 & 0.010827 & 0.071627 \\ 0.014777 & -0.129464 & 0.057701 \\ 0.039525 & 0.171701 & -0.200353 \end{bmatrix} \begin{pmatrix} \Delta s_{t-2} \\ \Delta p_{UK,t-2} \\ \Delta p_{VN,t-2} \end{pmatrix} + \begin{bmatrix} -0.110821 & 1.824714 & -0.269940 \\ -0.007647 & -0.329294 & 0.062711 \\ -0.033720 & -0.054574 & 0.263962 \end{bmatrix} \begin{pmatrix} \Delta s_{t-3} \\ \Delta p_{UK,t-3} \\ \Delta p_{VN,t-3} \end{pmatrix} + \begin{bmatrix} \epsilon_{1,t} \\ \epsilon_{2,t} \\ \epsilon_{3,t} \end{bmatrix} \quad (2)$$

where the ECT_{GBP} is provided in eq.(3.18)

VECM for the s_{JPY} ; one cointegrating equation

$$\begin{bmatrix} \Delta s_{JPY,t} \\ \Delta p_{JP,t} \\ \Delta p_{VN,t} \end{bmatrix} = \begin{bmatrix} -0.007480 \\ -0.001861 \\ -0.005198 \end{bmatrix} ECT_{t-1} + \begin{bmatrix} 0.119241 & 0.881655 & 0.351737 \\ 0.009621 & 0.092168 & 0.030251 \\ 0.026990 & -0.437225 & 0.694155 \end{bmatrix} \begin{pmatrix} \Delta s_{t-1} \\ \Delta p_{JP,t-1} \\ \Delta p_{VN,t-1} \end{pmatrix} + \begin{bmatrix} -0.024181 & -0.611579 & -0.218275 \\ -0.005955 & -0.237641 & -0.043824 \\ 0.008772 & 0.165364 & -0.033316 \end{bmatrix} \begin{pmatrix} \Delta s_{t-2} \\ \Delta p_{JP,t-2} \\ \Delta p_{VN,t-2} \end{pmatrix} + \begin{bmatrix} \epsilon_{1,t} \\ \epsilon_{2,t} \\ \epsilon_{3,t} \end{bmatrix} \quad (3)$$

where the ECT_{JPY} is provided in eq.(3.19)

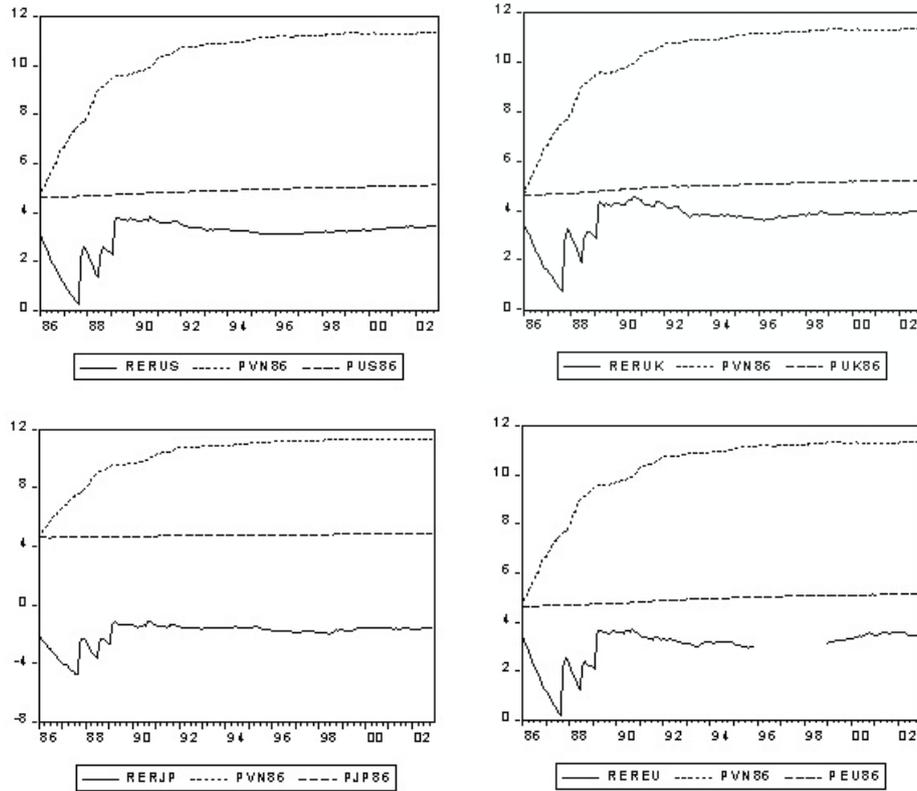
VECM for the s_{EUR} ; one cointegrating equation

$$\begin{bmatrix} \Delta s_{EUR,t} \\ \Delta p_{EU,t} \\ \Delta p_{VN,t} \end{bmatrix} = \begin{bmatrix} -0.001832 \\ 0.002438 \\ 0.005575 \end{bmatrix} ECT_{t-1} + \begin{bmatrix} -0.018820 & 0.925201 & 0.404187 \\ 0.005535 & 0.039021 & 0.003450 \\ 0.029184 & -0.563241 & 0.692148 \end{bmatrix} \begin{pmatrix} \Delta s_{t-1} \\ \Delta p_{EU,t-1} \\ \Delta p_{VN,t-1} \end{pmatrix} + \begin{bmatrix} \epsilon_{1,t} \\ \epsilon_{2,t} \\ \epsilon_{3,t} \end{bmatrix} \quad (4)$$

where the ECT_{EUR} is provided in eq.(3.20)

Appendix 6: Graphs and statistics

Combined graphs of differenced spot rates, domestic and foreign prices



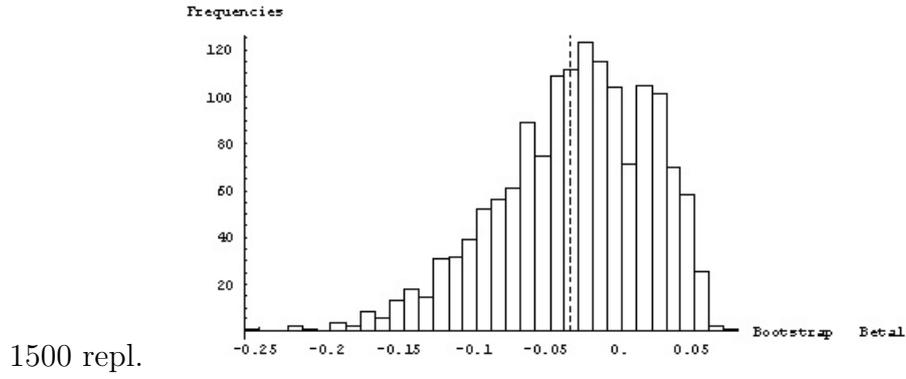
Asymptotic critical values for Engle-Granger (1987) two-stage co-integration examination

Table 7: Phillips and Ouliaris (1988) asymptotic critical values

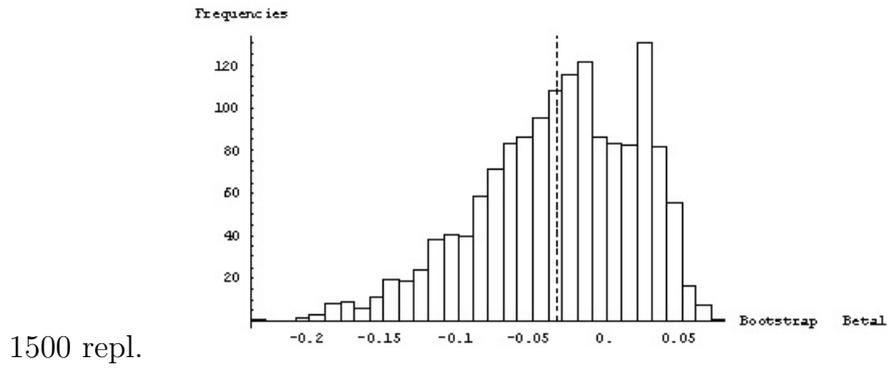
No. of vars. m	Conventional significance level		
	1%	5%	10%
Regression models contain a constant			
2	-3.96	-3.37	-3.07
3	-4.31	-3.77	-3.45
4	-4.73	-4.11	-3.83
5	-5.07	-4.45	-4.16
Regression models contain both constant and trend			
2	-4.36	-3.80	-3.52
3	-4.65	-4.16	-3.84
4	-5.04	-4.49	-4.20
5	-5.58	-5.03	-4.72

Appendix 7: Bootstrapped distributions

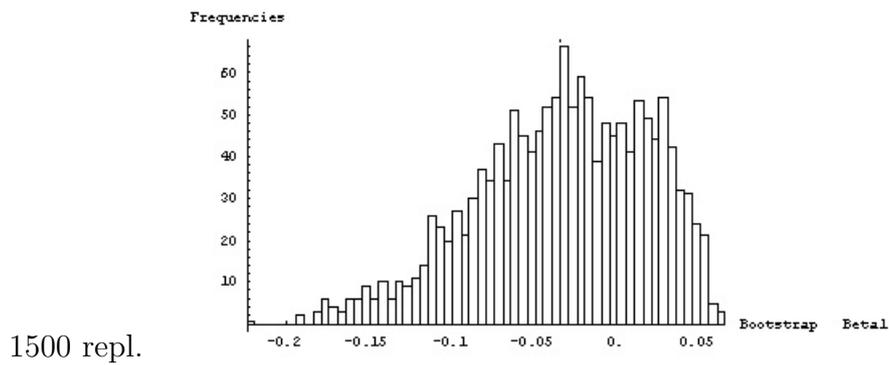
USD



GBP

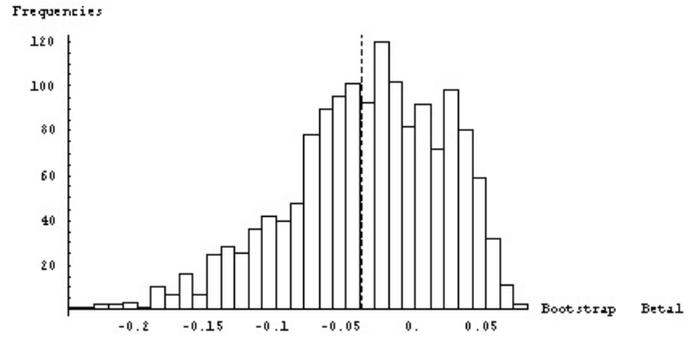


JPY



EUR

1500 repl.



Appendix 8: Misalignment evaluation

Table 8: Real exchange rate misalignment analysis

As of	USD			GBP			JPY			EUR		
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
Jan-87	-56.8	-64.3	-34.3	-50.2	-57.5	-27.7	61.2	107.7	17.0	-52.0	-60.9	-33.9
Jul-87	-85.2	-87.6	-78.1	-72.4	-76.2	-61.5	94.4	146.7	43.6	-85.0	-87.6	-78.9
Jan-88	-7.7	-21.5	22.4	-5.7	-17.5	19.2	4.8	31	-17.5	-8.6	-23.1	20.3
Jul-88	-49.2	-56.2	-41.7	-40.7	-47.6	-33.8	54.9	90.6	35.5	-52.4	-59.3	-44.6
Jan-89	-12.7	-23.7	-13.4	-9.2	-18.8	-10.5	12.8	36.6	13.5	-17.9	-28.7	-16.7
Jul-89	36.5	20.9	20.5	30.1	17.6	15.8	-42.1	-31.0	-32.1	36.3	20.3	23.2
Jan-90	34.6	20.7	10.0	29.2	18.0	7.3	-38.7	-28.1	-17.7	34.1	20.1	12.3
Jul-90	33.3	21.1	4.8	32.2	22.0	5.7	-37.0	-27.4	-7.2	34.3	22.1	8.5
Jan-91	29.0	18.7	0.5	30.2	21.4	3.0	-37.0	-28.6	-3.6	25.2	15.6	0.7
Jul-91	24.4	15.9	-1.9	22.3	15.2	-2.2	-29.3	-21.2	7.7	17.7	10.3	-3.7
Jan-92	21.7	14.8	-1.4	21.7	15.9	-0.2	-30.7	-24.1	2.1	16.1	10.3	-2.2
Jul-92	16.0	10.7	-2.9	19.2	14.6	1.0	-22.1	-16.2	9.8	12.3	8.3	-2.0
Jan-93	11.3	7.6	-3.5	7.7	4.6	-5.3	-16.9	-12.2	12.2	7.1	4.7	-3.3
Jul-93	10.0	7.5	-1.5	6.4	4.4	-3.1	-22.8	-19.9	0.4	1.7	0.8	-5.3
Jan-94	8.9	7.7	0.5	5.6	4.7	-0.8	-19.3	-17.8	1.2	6.1	6.6	1.5
Jul-94	6.8	6.9	1.3	4.5	4.6	0.6	-20.6	-20.7	-4.2	3.8	5.7	1.9
Jan-95	2.8	4.1	0.0	2.4	3.5	0.7	-14.4	-16.2	-1.2	0.8	4.1	1.7
Jul-95	-0.1	2.3	-0.8	0.2	2.3	0.2	-14.5	-18	-6.3	-4.9	-0.5	-1.3
Jan-96	-1.6	1.9	-0.6	-2.8	0.1	-1.7	-0.8	-6.8	3.0	-	-	-
Jul-96	-2.7	1.9	-0.4	-2.9	1.0	-1.1	2.5	-5.6	1.3	-	-	-

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Jan-97	-3.8	1.8	-0.7	-3.1	1.7	-1.1	11.1	0.2	5.4	-	-	-
Jul-97	-3.3	3.5	0.2	-1.9	3.9	0.2	8.9	-3.9	0.2	-	-	-
Jan-98	-3.8	4.1	0.1	-2.1	4.7	0.1	13.3	-2.2	2.2	-	-	-
Jul-98	-4.0	4.9	0.0	-2.0	5.7	0.3	22.2	3.1	9.4	-	-	-
Jan-99	-4.3	5.7	-0.1	-2.2	6.4	0.4	9.4	-9.8	-2.0	-8.1	4.9	-2.1
Jul-99	-4.6	6.5	-0.2	-3.0	6.5	0.2	11.0	-10.6	-0.2	-5.9	8.7	-0.7
Jan-00	-4.9	7.3	-0.4	-3.3	7.2	0.7	6.4	-16.4	-4.3	-5.0	11.0	-0.8
Jul-00	-4.5	8.8	0.1	-5.0	6.2	-0.4	8.6	-16.8	-3.0	-3.0	14.7	0.5
Jan-01	-4.7	9.7	0.2	-5.9	6.1	-0.6	13.2	-15.5	-0.5	-3.7	15.1	-0.5
Jul-01	-4.2	11.4	0.9	-6.2	6.7	-0.4	18.8	-13.6	2.0	-1.2	19.5	2.2
Jan-02	-5.4	11.1	0.0	-7.3	6.3	-1.2	26.2	-10.6	5.5	-2.6	19.1	1.2
Jul-02	-6.0	11.5	-0.2	-5.4	9.4	1.1	22.0	-16.0	-0.8	-6.6	15.5	-2.2
Jan-03	-6.8	11.4	-0.7	-5.4	10.2	1.3	24.2	-16.4	-1.2	-6.5	16.7	-1.4

N.B.: (1)-trend misalignment; (2)-constant misalignment; (3)-H-P misalignment

Appendix 9: Total FDI projects and capital by industry

Total FDI projects and capital by industry (cumulative data as of October 20, 2009)

Industry	Number of projects	Committed FDI Capital	Statutory Capital
Processing and manufacturing	6709	88,450	29,428
Real estates and related services	312	38,391	9,644
Hotel, hospitality and restaurant	253	14,907	2,411
Construction	484	9,141	3,257
Information and telecom services	539	4,653	2,900
Arts and entertainment	119	3,679	1,046
Mining	64	3,078	2,385
Agriculture, fishery and aquaculture	479	3,001	1,466
Transport and warehousing	284	2,242	843
Production, distribution of power, water, gas and air-con	48	2,143	668
Finance, banking and insurance	72	1,182	1,084
Retail, wholesale and repair services	283	1,169	526
Health care and social aids	62	953	234
Other services	76	625	140
Professional, and scientific and technological activities	789	593	270
Training and education	125	269	105
Administrative and support services	89	180	81
Water distribution and waste treatment	18	59	37
Total	10,805	174,715	56,527

Source: General Statistics Office of Vietnam. Data as of October 20, 2009; cumulated over period 1987-2009. (*) FDI capital figures in US\$ million, including capital increases by existing FDI enterprises.

Appendix 10: Frequency Distribution of Transaction Value

Frequency Distribution of Transaction Value (supplementary to figure 7.8). In this supplementary table of data summary, both dollar value for each range of value and cumulative value are provided.

	$V < 1$	$1 < V < 5$	$5 < V < 10$	$10 < V < 50$	$50 < V < 100$	$V > 100$
1995	0	1	0	0	0	0
1996	0	0	1	0	0	0
1997	0	0	0	0	0	0
1998	0	0	0	0	0	0
1999	0	0	0	0	0	0
2000	0	0	0	0	0	0
2001	0	0	0	0	0	0
2002	0	0	0	0	0	0
2003	0	0	1	0	0	0
2004	6	7	1	2	0	0
2005	2	5	1	5	0	0
2006	6	3	1	8	0	1
2007	9	10	4	13	8	3
2008	5	10	4	24	7	3
2009	2	4	2	0	0	1
Subtotal	30	40	15	52	15	8
Dollar value	12	114.81	105.63	1331.94	1183.7	1255
<i>US\$ million</i>						
	$V < 1$	$V < 5$	$V < 10$	$V < 50$	$V < 100$	$V > 100$
Cumulative Dollar Value	12	126.81	232.44	1564.38	2748.08	4003.08
<i>US\$ million</i>						

Appendix 11: M&A Transactions in Vietnams Banking and Financial Sector

Securities						
A	4/15/2006	Mekong Securities	Mekong Securities	Indochina Capital	N/A	30
A	7/14/2007	Saigon Securities Inc.	Saigon Securities Inc.	ANZ Banking Group Ltd	88	10
A	7/3/2009	Hai Phong Securities	Hai Phong Securities	Bridge Securities	15	24.8
A	4/25/2008	Seabank Securities Co.	Seabank Securities Co.	OSK Investment Bank Bhd	13.9	49(F)
A	2/15/2008	Huong Viet Securities Co.	Huong Viet Securities Co.	Morgan Stanley	9	48.33
A	8/17/2009	Vietnam Golden Securities	Vietnam Golden Securities	K&N Kenanga Holdings	8.1	49
A	2/28/2008	Click & Phone Securities	Click & Phone Securities	Golden Bridge	7	49
A	3/28/2008	Vietnam Securities Corp	Vietnam Securities Corp	RHB Bank	4.2	49
A	3/3/2008	Au Lac Securities Co.	Au Lac Securities Co.	Technology CX (TC)	3	49
D	8/4/2009	PetroVietnam Securities	PetroVietnam	PetroVietnam Insurance	N/A	66.58
A	3/3/2007	Thien Viet Securities Co.	Thien Viet Securities Co.	Goldman Sachs	N/A	N/A (F)
A	10/10/2007	Orient Securities Corp	Orient Securities Corp	TA Securities Holdings	N/A	N/A (F)
Banking						
A	9/24/2008	ABBank	ABBank	May Bank Group	93	15
D	6/1/2007	Vietnam Eximbank	Vietnam Eximbank	Kinh Do Corp	90	6.42
A	7/30/2008	Techcombank	Techcombank	HSBC	85	10
A	8/28/2008	Techcombank	Techcombank	HSBC	77.1	5.6
A	1/1/2008	Southern Bank	Southern Bank	UOB	29.76	10
A	7/10/2008	Vietnam Eximbank	Vietnam Eximbank	Sumitomo Mitsui FG	225	15
A	12/28/2005	Techcombank	Techcombank	HSBC	27	10
C	3/24/2005	Sacombank	IFC	ANZ Banking Group Ltd	27	10
A	11/7/2007	VPBank	VPBank	OCBC	25.5	5
D	10/26/2008	Ocean Bank	Ocean Bank	Petro Vietnam	24.2	20
A	6/29/2005	ACB	ACB	Standard Chartered	22	10
A	2/21/2006	VPBank	VPBank	OCBC	15.7	10
A	7/25/2008	Southern Bank	Southern Bank	UOB	15	5
D	4/13/2007	GP Bank	GP Bank	Petro Vietnam	12	10
A	2/24/2008	Oricombank	Oricombank	BNP Paribas	7.5	10
148.2						

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A	11/1/2005	Asia Commercial Bank	Asia Commercial Bank	ANZ Banking Group Ltd	6	8.5
D	1/17/2007	Oricombank	Oricombank	Sabeco	1.95	5
D	9/18/2007	GiaDinhBank	GiaDinhBank	Vietcombank	N/A	11
A	10/4/2007	Habubank	Habubank	Deutsche Bank	N/A	10
A	5/5/2008	Asia Commercial Bank	Asia Commercial Bank	Standard Chartered PCL	N/A	5
A	7/18/2008	SeABank	SeABank	Societe Generale SA	N/A	15
A	8/5/2008	VPBank	VPBank	OCBC	N/A	5
A	8/28/2009	Oricombank	Oricombank	BNP Paribas	N/A	5
A	9/28/2006	DongA Bank	DongA Bank	Citigroup	N/A	10(P)
D	10/10/2007	Incombank	Incombank	Vinafood	N/A	0(P)
					783.71	
Insurance						
C	1/22/2007	Bao Minh-CMG Co	Bao Minh-CMG Co	Dai-Ichi Mutual Life Ins.	100	12.8
A	1/7/2008	Vietnam Re-Insurance Co.	Vietnam Re-Insurance Co.	Swiss Re	79	25
A	9/12/2007	Bao Minh Insurance Corp	Bao Minh Insurance Corp	AXA SA	75.2	16.6
C	4/30/2001	Manulife Vietnam JV	Chinfon Global	Manulife Financial	N/A	40
B	1/10/2006	BIDV-QBE	QBE	BIDV	N/A	50
C	12/31/2006	Allianz Vietnam	Allianz Vietnam	BIDV-QBE	N/A	85
A	6/4/2009	AAA Insurance	Ocean Bank	Bankinvest	N/A	0
A	3/1/2009	Bao Viet Insurance Group	Bao Viet Insurance Group	HSBC	200	8
D	9/12/2007	Bao Viet Insurance Group	Bao Viet Insurance Group	Vinashin Business Group	90	3.56
					544.2	
NBFI						
A	1/3/2008	PetroVietnam Finance Corp	PetroVietnam Finance Corp	Morgan Stanley	217	10
A	3/18/2008	PetroVietnam Finance Corp	PetroVietnam Finance Corp	Morgan Stanley	200	10
D	10/29/2008	PVD Invest	PVD Invest	PV Drilling	43	N/A
A	11/8/2007	Tai Viet Co. Ltd	Tai Viet Co. Ltd	IDJ Venture	N/A	20
					460	
Portfolio						
C	9/12/2006	FBG Vietnam Holdings	Fosters Group Ltd	Asia Pacific Breweries Ltd	105	100
C	7/8/2004	Vietnam Opportunity Fund	Vietnam Opportunity Fund	Millenium Partners	2.9	18
A	2/19/2008	Vietcombank Fund Mgt	Vietcombank Fund Mgt.	Franklin Resources Inc	14	49

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D	1/20/2009	Bao Tin Fund Mgt.	Bao Tin Fund Mgt.	REE	2	35.6
C	2/19/2008	Vietcombank Fund Mgt.	Vietcombank Fund Mgt.	Franklin Templeton	N/A	49
A	7/1/2008	Thep Viet Capital	Thep Viet Capital	Inter-Pacific Capital Bhd	N/A	N/A
Total	2060.01				123.9	

US\$ million

Appendix 12: Regulatory Details on Corporate Bonds in Vietnam

The Law on Securities. This highest regulatory document governing the corporate bond issuing and trading process was passed by the National Assembly of Vietnam, No. 70/2006/QH11 on June 29, 2006. It stipulates that a firm that wishes to offer a sale of bond to the public must prepare the following, prior to a formal appraisal/approval by the authorities:

- a) Registration for a sale offer to the public;
- b) Appropriate prospectus for the issue;
- c) Articles of association of the issuer itself;
- d) A decision by Board of Directors or Board of Firm Members or the owner of that issuing firm, that approves the plans for issuing bonds, use of proceeds from the sale, and repaying the debt;
- e) A written commitment to observe the issuers responsibility and financial obligations to bondholders, with respect to issuing terms, payment of coupons and repayment of principal, and related financial covenants;
- f) Relevant underwriting agreement entered by authorized underwriter, if any.

The prospectus is thus playing an important role in providing material information to prospective investors in a bond issue. The Law rules that a prospectus must:

- a) Provide adequate information about the issuing company, including data of companys organization chart, description of business operations, information about major assets owned by firm, financial positions, the Board of Directors and senior management staff, and structure of shareholders;
- b) Provide information on each issue of bond and on the bond itself, including terms and conditions for the sale, risks, projected profitability, a specific plan for selling bonds and using proceeds from the sales;
- c) Prepare financial statements in conformity to regulations;
- d) Disclose other information as required by the standard form of prospectus.

The standards for financial reports that a prospectus must follow are specified as audited balance sheet, statement of income, and statement of cash flows for the year of issue, with full account of explanations for material information/data presented in the reports. During the life of such bond, these statements must be disclosed for every financial year ending December, before March 1.

After the registration of information and data is made appropriately, the State Securities Commission of Vietnam then appraises and approves the sale. This is the prerequisite for any real-world distribution of bonds to investors, following Article 21 of the Law. The article stipulates that distribution of bonds could only be made after the issuing firm can guarantee that prospective investors have full access to the prospectus for the planned issue. This distribution must be done within 90 days from the date of approval for issuing by the authority, with one-time extension limit of 30 days. Details of the sales must be filed with the authority within 10 days after completion, with a confirmation by banker where the embargoed account for sales proceeds is maintained.

The Enterprise Law. This Law (No. 60/2005/QH11) was passed by the National Assembly on November 29, 2005. It says briefly about issuing corporate bonds in Chapter VI (on shareholding companies), Article 88 (Bond Issuing).

Basically, the Law says shareholding firms have rights to issue corporate bonds, convertible bonds and other types of bonds, in conformity to laws and their Articles of Association. A firm is not allowed to issue bonds in the following cases: (i) It has not fulfilled financial obligations of any previous bond issues over the past three years right before the year of planned issue; (ii) Its after-tax net profitability, averaged over the previous three years, does not exceed the applicable coupon rate for the issue. The Board of Directors will have the right to decide the issue, size and timing, but the decision will need to be presented to next the General Assembly of Shareholders, together with documents and proper explanations on the decision.

Decree 52/2006/ND-CP issued by the Prime Minister on May 19, 2006. This governmental decree stipulates many details following which enterprises (except partnership firms, single-member limited liability companies, and unlimited liability private enterprises) could issue corporate bonds. The decree reaffirms that, in principle, eligible enterprises are allowed to issue bonds at their will and will have to take responsibility in fulfilling financial and regulatory obligations pertaining to the issue.

Decision 07/2008/QD-NHNN issued by the State Bank of Vietnam, dated March 24, 2008. The decision provides regulations and requirement for issuing securities inside Vietnam by credit institutions. Following this, credit institutions in Vietnam could issue bonds in many ways, but mainly using the following methods: (i) Self-issuing; (ii) Using underwriting services; (iii) Through issuing agents; and, (iv) Auctioning.

Appendix 13: Annual Exchange Rates

Daily sell quotes are collected from SBV. Dates with missing data are deleted. Annual exchange rate is the average of daily exchange rates of the year.

Year	Annual Exchange Rate	Notes
VND/USD		
1990	5,016	
1991	9,080	
1992	11,209	
1993	10,850	
1994	11,050	
1995	11,019	
1996	11,091	(1)
1997	11,917	
1998	13,270	(2)
1999	13,944	
2000	14,145	
2001	14,811	
2002	15,275	
2003	15,520	
2004	15,727	
2005	15,819	
2006	15,965	
2007	16,127	
2008	16,309	
2009	17,080	

Source: State Bank of Vietnam, and Vuong and Ngo (2002:[188])

Notes:

(1) Data from October 16 to December 31, 1996 is missing;

(2) Data from May 29 to July 19, 2009 is missing.

Appendix 14: Dataset of Vietnamese Corporate Bonds, 1992-2009

No.	Issuer	State Ownership	Listed	Underwriter	Industry	Year Issuance	Maturity year	Value (mil. USD)		Money Unit	Status	Interest Rates	Technical Terms	Location
								Expected	Successful					
1	EVN	1	0		Electrics	1992-1994	3	30.23	VND	Success	3.8-5		Vietnam	
2	Hoang Thach Cement	1	0		Cement	1994	3	3.92	VND	Success	21		Vietnam	
3	Anh Son Cement	1	0		Cement	1994	3	0.68	VND	Success	21		Vietnam	
4	REE	1	0		Home appliance	1996	2	5	USD	Success	4.5	Convertible	Vietnam	
5	Southern Steel Co.	1	0		Steel	1995	3	0.47	USD	Success	-		Vietnam	
6	Yali Hydro Power	1	0		Electrics	1995-1996	3	18.03	VND	Success	8.5		Vietnam	
7	Khanh Hoa Tourist Co.	1	0		Tourism	1998	5	1.88	VND	Success	-		Vietnam	
8	Information Tech. EIS	0	0		IT	1998	3	0.75	VND	Success	-	Convertible	Vietnam	
9	Phuc Son Cement	1	0		Cement	1997-1998	3	4.75	VND	Success	14		Vietnam	
10	Vienam Int'. Leasing Co.	0	0		Finance	1999	5	0.72	VND	Success	11		Vietnam	
11	BIDV	1	0		Banking	2000	5	70.7	VND	Success	7.5		Vietnam	
12	BIDV	1	0		Banking	2000	5	4.6	USD	Success	5.2		Vietnam	
13	Information Tech. EIS	0	0		IT	2001	-	0.68	VND	Success	8	Convertible	Vietnam	
14	EVN	1	0		Electrics	2003	-	19.33	VND	Success	-		Vietnam	
15	PVN	1	0	BIDV	Petroleum	2003	5	219.07	VND	Success	8.7	Floating rate	Vietnam	
16	Agribank	1	0		Banking	2006	-	313.19	VND	Success	-		Vietnam	
17	VICEM	1	0		Cement	2003	-	12.89	VND	Success	-		Vietnam	
18	GERUCO	1	0	VCBS	Rubber	2004	3	2.54	VND	Success	8.6	Coupon	Vietnam	
19	Vinashin	1	0		Ship building	2004	2	19.08	VND	Success	8.2	Coupon	Vietnam	
20	EVN	1	0		Electrics	2005	5	12.64	VND	Success	8.8	Coupon	Vietnam	
21	Vinashin	1	0		Ship building	2005	2	63.22	VND	Success	-	Coupon	Vietnam	
22	Vinashin	1	0		Ship building	2005	2	18.96	VND	Success	-	Coupon	Vietnam	
23	Vinashin	1	0		Ship building	2005	2	18.96	VND	Success	-	Coupon	Vietnam	
24	Song Da Corp.	1	0	Vietcombank	Construction	2005	3	12.64	VND	Success	9.3	Coupon	Vietnam	
25	VCB	1	1		Banking	2005	7	86.29	VND	Success	6	Convertible	Vietnam	
26	Song Da Corp.	1	0		Construction	2005	5	16.44	VND	Success	10.5	Floating rate	Vietnam	
27	BIDV	1	0		Banking	2006	10	62.64	VND	Success	9.8	Callable	Vietnam	
28	BIDV	1	0		Banking	2006	15	62.64	VND	Success	10.2	Callable	Vietnam	
29	BIDV	1	0		Banking	2006	-	6.26	VND	Success	-	Callable	Vietnam	
30	CIU	0	1		Infrastructure	2006	3	8.21	VND	Success	8	Convertible	Vietnam	
31	ACB	0	1		Banking	2006	5	103.35	VND	Success	8	Convertible	Int	
32	EVN	1	0	Deutsche Bank	Electrics	2006	10	62.64	VND	Success	9.6	Floating rate	Vietnam	
33	SCB	0	0		Banking	2006	1.1	62.64	VND	Success	8.5	Convertible	Vietnam	
34	EVN	1	0	VietinBank	Electrics	2006	5	21.92	VND	Success	9.6	Floating rate	Vietnam	
35	EVN	1	0		Electrics	2006	5	31.32	VND	Success	9.6	Floating rate	Vietnam	
36	EVN	1	0		Electrics	2006	5	72.03	VND	Success	9.6	Floating rate	Vietnam	
37	EVN	1	0		Electrics	2006	5	56.37	VND	Success	9.5	Floating rate	Vietnam	
38	EVN	1	0		Electrics	2006	5	37.58	VND	Success	9.6	Floating rate	Vietnam	
39	EVN	1	0		Electrics	2006	5	31.32	VND	Success	9.6	Coupon	Vietnam	

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40	EVN	1	0	0	Electrics	2006	10	62.64	62.64	VND	Success	10	Floating rate	Vietnam
41	EVN	1	0	0	Electrics	2006	10	-	62.64	VND	Success	9.7	Coupon	Vietnam
42	Agribank	1	0	0	Banking	2006	-	-	187.91	VND	Success	-	Convertible	Vietnam
43	SSI	0	0	0	Finance	2006	1	9.4	9.4	VND	Success	-	Convertible	Vietnam
44	SSI	0	0	0	Finance	2006	2	9.4	9.4	VND	Success	-	Convertible	Vietnam
45	SSI	0	0	0	Finance	2006	3	12.53	12.53	VND	Success	-	Convertible	Vietnam
46	Vinashin	1	0	0	Ship building	2006	2	-	31.32	VND	Success	9.6	Coupon	Vietnam
47	Vinashin	1	0	0	Ship building	2006	2	-	18.79	VND	Success	9.6	Coupon	Vietnam
48	Vinashin	1	0	0	Ship building	2006	5	-	31.32	VND	Success	10	Coupon	Vietnam
49	Vinashin	1	0	0	Ship building	2006	10	-	62.64	VND	Success	10.5	Coupon	Vietnam
50	Vinashin	1	0	0	Ship building	2006	2	-	18.79	VND	Success	9.6	Coupon	Vietnam
51	Vilexim	1	0	0	Trading	2007	3	-	0.31	VND	Success	-	-	Vietnam
52	Vinashin	1	0	0	Ship building	2007	5	-	31	VND	Success	10	Coupon	Vietnam
53	EVN	1	0	0	Electrics	2007	-	300-500	-	USD	-	-	-	Vietnam
54	Lilama	1	0	0	Construction	2007	5	-	31	VND	Success	9.6	Coupon	Vietnam
55	Vinashin	1	0	0	Ship building	2007	10	186.02	186.02	VND	Success	9	Coupon	Vietnam
56	VN Steel Corp.	1	0	0	Steel	2007	5	24.8	24.8	VND	Success	9.5	Coupon	Vietnam
57	Lilama	1	0	0	Construction	2007	10	62.01	62.01	VND	Success	9.2	Coupon	Vietnam
58	MB	0	0	0	Banking	2007	2	26.04	26.04	VND	Success	8	Convertible	Vietnam
59	Vinacomin	1	0	0	Mining	2007	10	93.01	93.01	VND	Success	9.5	Coupon	Vietnam
60	CIU	0	1	1	Infrastructure	2007	7	-	31	VND	Success	10.3	Coupon	Vietnam
61	Techcombank	0	0	0	Banking	2007	-	186.02	-	VND	-	-	-	Vietnam
62	BIDV	1	0	0	Banking	2007	5	186.02	186.02	VND	Success	8.2	Coupon	Vietnam
63	VCG	1	0	0	Construction	2007	3	62.01	62.01	VND	Success	3	Convertible	Vietnam
64	Lilama	1	0	0	Construction	2007	5	31	31	VND	Success	8.8	-	Vietnam
65	ACB	0	1	1	Banking	2007	5	-	139.52	VND	Success	8.6	Coupon	Vietnam
66	SCB	0	0	0	Banking	2007	1	86.75	86.75	VND	Success	8.5	Convertible	Vietnam
67	MB	0	0	0	Banking	2007	2	35.96	35.96	VND	Success	8	Convertible	Vietnam
68	CIU	0	1	1	Infrastructure	2007	7	-	61.02	VND	Success	-	Coupon	Vietnam
69	VIC	0	1	1	n.a	2007	5	62.01	62.01	VND	Success	10.5	Coupon	Vietnam
70	IFS	0	1	1	Food	2007	3	15.5	-	VND	-	9.3-9.6	Coupon	Vietnam
71	IFS	0	1	1	Food	2007	5	24.8	-	VND	-	9.7-10.0	Coupon	Vietnam
72	VEC	1	0	0	Infrastructure	2009	15	-	23.42	VND	Success	9	Coupon	Vietnam
73	MPC	0	1	1	Seafood	2007	5	31	-	VND	-	10	Coupon	Vietnam
74	Vinashin	1	0	0	Ship building	2007	2	-	12.4	VND	Success	8.9	Coupon	Vietnam
75	Vinashin	1	0	0	Ship building	2007	10	-	186.02	VND	Success	9.4	Coupon	Vietnam
76	Sacomreal (Sacombank)	0	0	0	Real estate	2008	0.5	6.13	6.13	VND	Success	8.8	Convertible	Vietnam
77	Sacomreal (Sacombank)	0	0	0	Real estate	2008	0.8	45.99	-	VND	Success	12	Convertible	Vietnam
78	VIC	0	1	1	n.a	2008	5	122.63	122.63	VND	Success	16	Floating rate	Vietnam
79	Techcombank	0	0	0	Banking	2008	-	306.58	-	VND	Plan	-	-	Vietnam
80	VISCOSTONE (VCG)	1	0	0	Cons. material	2008	3	6.13	6.13	VND	Success	10.5	Convertible	Vietnam
81	NBB	0	1	1	Real estate	2009	3	17.56	17.56	VND	Success	11.5	Floating rate	Vietnam
82	VEC	1	0	0	Infrastructure	2008	-	30.66	-	VND	Failed	-	Coupon	Vietnam
83	VEC	1	0	0	Infrastructure	2008	4	30.66	30.66	VND	Success	16	Coupon	Vietnam

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84	VIC	0	1	1	n.a	2008	-	80	-	USD	Plan	-	Convertible	Vietnam
85	FPC	0	1	1	Construction	2008	-	24.53	-	VND	Plan	-	-	Vietnam
86	PVF (PVN)	1	1	3	Finance	2008	-	98.11	-	VND	Plan	17.5	Floating rate	Vietnam
87	HAG	0	1	2	Real estate	2008	39.86	39.86	-	VND	Success	20.5	Floating rate	Vietnam
88	HAG	0	1	3	Real estate	2008	-	-	-	VND	Success	21	Floating rate	Vietnam
89	Saigon Bank	0	0	0	Banking	2008	-	61.32	-	VND	Plan	-	Convertible	Vietnam
90	Viet A Bank	0	0	0	Banking	2008	-	24.53	-	VND	Plan	-	Convertible	Vietnam
91	Vinashin	1	0	0	Ship building	2008	-	400	-	USD	Plan	-	-	Vietnam
92	HAG	0	1	3	Real estate	2008	21.46	21.46	-	VND	Success	12.8	Floating rate	Vietnam
93	HAG	0	1	2	Real estate	2008	-	-	-	VND	Success	12.3	Floating rate	Vietnam
94	FPC	0	1	3	Construction	2009	-	14.05	-	VND	Plan	-	-	Vietnam
95	EVN	1	0	5	Electrics	2009	29.27	29.27	-	VND	Success	-	Floating rate	Vietnam
96	MB	0	0	0	Banking	2009	-	292.74	-	VND	Plan	-	-	Vietnam
97	VPL	0	1	5	Real estate	2009	58.55	58.55	-	VND	Success	10.1	Coupon	Vietnam
98	EVN	1	0	5	Electrics	2009	-	-	204.92	VND	Success	10.4	Floating rate	Vietnam
99	Vinacomin	1	0	5	Mining	2009	-	-	68.5	VND	Success	10.5	Floating rate	Vietnam
100	Vinacomin	1	0	5	Mining	2009	-	-	19.32	VND	Success	10.5	Coupon	Vietnam
101	Techcombank	0	0	0	Banking	2009	-	468.39	-	VND	Plan	-	-	Vietnam
102	MB	0	0	2	Banking	2009	-	-	58.55	VND	Success	10	Coupon	Vietnam
103	KBC	0	1	5	Real estate	2009	-	-	40.98	VND	Success	11.5	Coupon	Vietnam
104	VEC	1	0	3	Infrastructure	2009	-	87.82	-	VND	Failed	-	-	Vietnam
105	MCG	0	1	3	Construction	2009	-	5.85	-	VND	Plan	12	Convertible	Vietnam
106	HSG	0	1	0	Cons. material	2009	-	7.26	-	VND	Plan	-	Convertible	Vietnam
107	SJS	1	1	3	Construction	2009	29.27	29.27	-	VND	Success	12.5	Floating rate	Vietnam
108	Habubank	0	0	0	Banking	2009	-	146.37	-	VND	Plan	-	Coupon	Vietnam
109	KSH	0	1	3	Mining	2009	-	17.56	-	VND	Plan	12	Floating rate	Vietnam
110	KSH	0	1	4	Mining	2009	-	17.56	-	VND	Plan	12	Floating rate	Vietnam
111	KSH	0	1	5	Mining	2009	-	23.42	-	VND	Plan	12	Floating rate	Vietnam
112	HBC	0	1	5	Construction	2009	1.76	1.76	-	VND	Success	-	Convertible	Vietnam
113	SDFC (Song Da Corp.)	1	0	0	Finance	2009	-	17.56	-	VND	Plan	-	-	Vietnam
114	Sacombank	0	1	0	Banking	2009	-	175.65	-	VND	Plan	-	-	Vietnam
115	KBC	0	1	3	Real estate	2009	-	-	17.56	VND	Success	12.5	Coupon	Vietnam
116	STL (Song Da Corp.)	1	1	3	Real estate	2009	17.56	17.56	-	VND	Success	12.5	Floating rate	Vietnam
117	Tin Nghia Group	1	0	0	Real estate	2009	-	58.55	-	VND	Success	-	Coupon	Vietnam
118	Sacombank	0	1	2	Banking	2009	-	-	5.85	VND	Success	10.5	Coupon	Vietnam
119	Sacombank	0	1	0	Banking	2009	-	-	111.24	VND	Success	-	Floating rate	Vietnam
120	BIDV	1	0	10	Banking	2009	79.74	79.74	-	VND	Success	10.5	Floating rate	Vietnam
121	VEC	1	0	3	Infrastructure	2009	-	29.27	-	VND	Failed	-	-	Vietnam
122	VEC	1	0	4	Infrastructure	2009	0.19	29.27	-	VND	Success	10.5	Coupon	Vietnam
123	KBC	0	1	5	Real estate	2009	11.71	11.71	-	VND	Success	12.5	Coupon	Vietnam
124	Tin Nghia Group	1	0	5	Real estate	2009	29.27	29.27	-	VND	Success	-	-	Vietnam
125	VN Steel Corp.	1	0	3	Steel	2009	58.55	58.55	-	VND	Success	-	-	Vietnam
126	Generalexim	1	0	0	Trading	2009	2.84	2.84	-	VND	Success	-	Convertible	Vietnam
127	Maritime Bank	0	0	2	Banking	2009	105.39	105.39	-	VND	Success	-	Floating rate	Vietnam

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128	Maritime Bank	0	0	0	Banking	2009	5	17.56	VND	Success	12.5	Floating rate	Vietnam
129	HUD	1	0	0	Real estate	2009	3	29.27	VND	Success	12.5	Floating rate	Vietnam
130	FPT Corp.	0	1	0	ANZ	2009	3	105.39	VND	Success	7	Convertible	Vietnam
131	FBS/GamiLand	0	0	0	Real estate	2009	3	17.56	VND	Success	-	-	Vietnam
132	ASP	0	1	1	Gas production	2009	-	5.85	VND	Success	13.2	Floating rate	Vietnam
133	STL (Song Da Corp.)	1	1	1	Real estate	2009	3	17.56	VND	Success	13	Floating rate	Vietnam
134	Techcombank	0	0	0	Banking	2009	3	122.95	VND	Success	10.5	Floating rate	Vietnam
135	Habubank	0	0	0	Banking	2009	2	58.55	VND	Success	10.5	Coupon	Vietnam
136	VIC	0	1	1	Real estate	2009	5	150	USD	Success	6	Convertible	Int
137	SCB	0	0	0	Banking	2009	-	58.55	VND	Success	8.5	Convertible	Vietnam
138	VISCOSTONE (VCG)	1	0	0	Construction	2009	1	9.08	VND	Plan	9	Convertible	Vietnam
139	Viet A Bank	0	0	0	Banking	2009	1	15.92	VND	Plan	10	Convertible	Vietnam
140	KBC	0	1	1	Real estate	2009	5	23.42	VND	Success	12	Coupon	Vietnam
141	BCI	0	1	1	Real estate	2009	-	17.56	VND	Plan	-	Callable	Vietnam
142	NovaLand	0	0	0	Real estate	2009	5	-	VND	Success	12	Coupon	Vietnam
143	VIC	0	1	1	Real estate	2009	3	58.55	VND	Plan	-	-	Vietnam
144	Phuong Dong Bank	0	0	0	Banking	2009	1	35.13	VND	Plan	10.5	Convertible	Vietnam
145	KBC	0	1	1	Real estate	2009	5	29.27	VND	Success	13.8	Coupon	Vietnam
146	KBC	0	1	1	Real estate	2009	3	17.56	VND	Success	12	Coupon	Vietnam
147	NBB	0	1	1	Real estate	2009	3	14.64	VND	Success		Floating rate	Vietnam
148	NBB	0	1	1	Real estate	2009	4	8.78	VND	Success		Floating rate	Vietnam
149	Tin Nghia Group	1	0	0	Real estate	2007		248.03	VND	Plan			Int
150	Vinatex	1	0	0	EPS/BNP Paris	2007		62.01	VND	Plan			Int
151	Vinatex	1	0	0	EPS/BNP Paris	2008		490.53	VND	Plan			Int
152	Tin Nghia Group	1	0	0	Real estate	2009		17.56	VND	Plan			Vietnam

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In 1986, Vietnam initiated its extensive economic reform program, known as Doi Moi, which saved the country – then in a devastating economic crisis – from a collapse. The introduction of market system has brought back substantial changes in both people’s life and the national economy. Market mechanism, commercial institutions, private properties and capital goods ownership, free trade... have since come into existence. Gradually, financial markets have grown up to be a critically component of Vietnam’s economic transition. This book provides some in-depth introduction and analysis of Vietnam’s financial markets with emphasis on corporate debts and equity, gold and foreign exchange. It may be regarded as one of the most important contributions to the literature of Vietnam’s financial economics, thus far. It contains original research results, which should benefit readers with interest in understanding the contemporary issues of Vietnam’s economy, for either business or academic purposes. In addition, policy makers and international donors could also find its insights and implications useful; many of which are original and supported by empirical evidences.

Quan-Hoang Vuong

Vuong Quan-Hoang holds a Ph.D. from the University of Brussels, and has been economist at its Centre Emile Bernheim since 2004. Dr. Vuong is a widely published author in Vietnam’s monetary and capital markets. He currently heads up the research operation of Dan Houtte, Vuong & Partners (DHVP), an economic and business research firm based in Hanoi.



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