

TRADE LIBERALIZATION AND DEVELOPMENT IN ICT SECTOR AND ITS IMPACT ON HOUSEHOLD WELFARE IN VIET NAM

Short Term Research Project under ARTNet

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Why studying ICTs and welfare

- ICTs benefit economic growth
- ICTs positively impact poverty alleviation and increase household welfare, income,..
- But, risk in introducing ICTs to developing countries is the widening the gaps between the rich and the poor
- Low stage of ICT in Vietnam but rapid development and impressive poverty reduction → any relation in dev. process?

Presentation outline

- Data sources
- Trade liberalization in ICT sector
- ICT performance
- Impact of ITC on poverty reduction and household welfare
- Conclusions and policy implications

Data sources/methodology

- Vietnam Living Standards Surveys in 1993, 1998, 2002 and 2004
- Enterprise surveys in 2002 – 2003 – 2004
- Other data sources
- Both descriptive and qualitative methods and techniques are used in the implementation of the research

Trade liberalization in ICT sector

- Institutional reform:
 - General Department of Post in 1993 then General Department of Post and Telecommunications in 1996 and then Ministry of Post and Telecommunications in 2002;
 - National IT Steering Committee and Secretariat in 2002;
 - Development of ICT service providers: VNPT in 1994 and others (Vietel, SPT, ETC, FPT, Vishipel, Netnam, Hanoi Telecom, Elinco,..) since 1997.

Trade liberalization in ICT sector

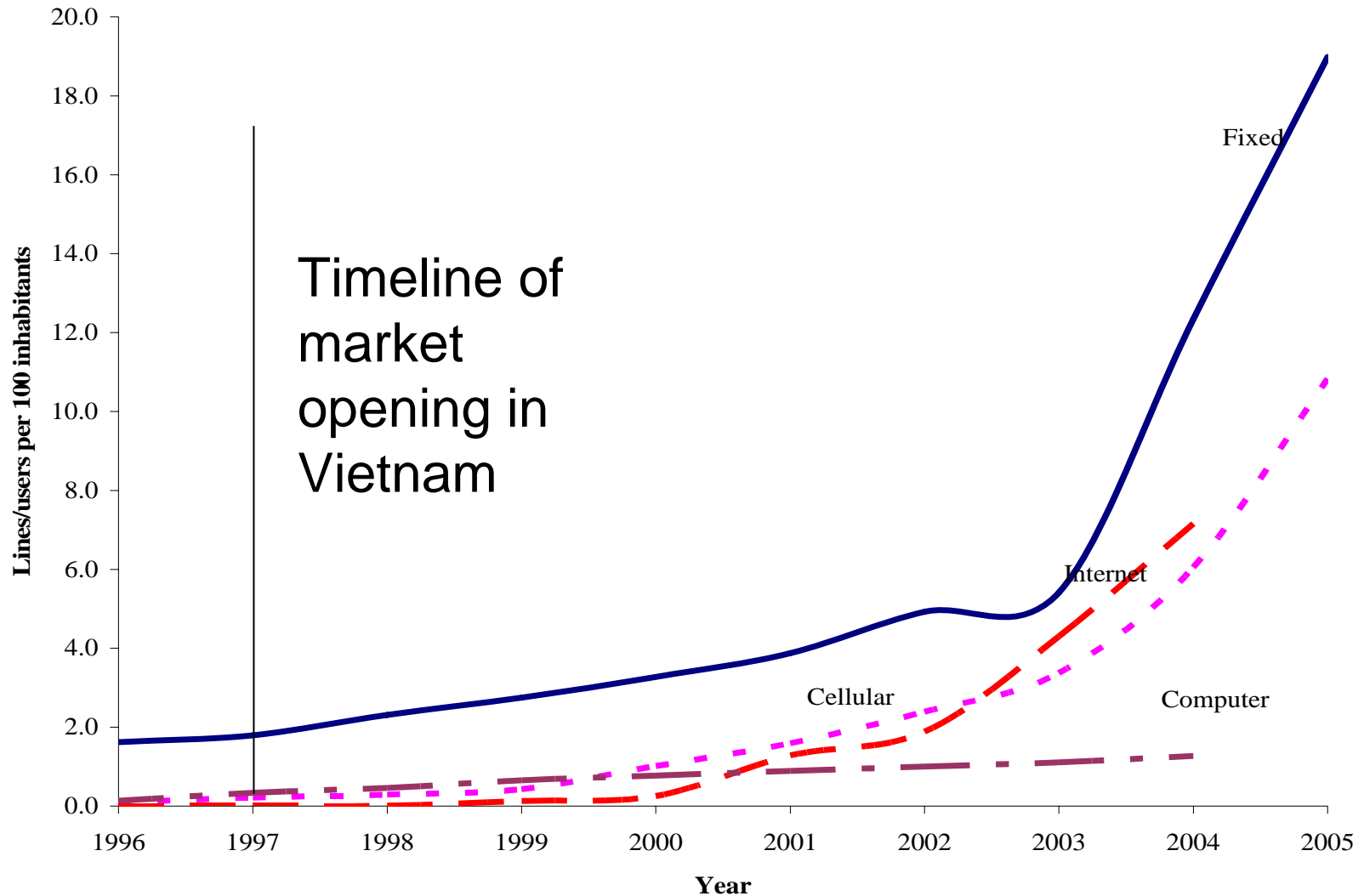
- Gradually liberalized ICT sector in laws and regulations:
 - First Master Plan for Development of IT 1996 – 2000
 - Second National IT Development and Application Master Plan 2002- 2005
 - Telecommunications development and Internet Development Plan to 2005 and most recently to 2010
 - Post and Telecom Ordinance in 2002
 - Law on IT in 2006

Trade liberalization in ICT sector

- ICT Policies:
 - Greater liberalization of ICT services and reduction of the monopoly: more service providers since 1997 and increasingly liberalized pricing system since 2001;
 - Separation of policy, regulatory and operational functions among state agencies and service providers since 2002;

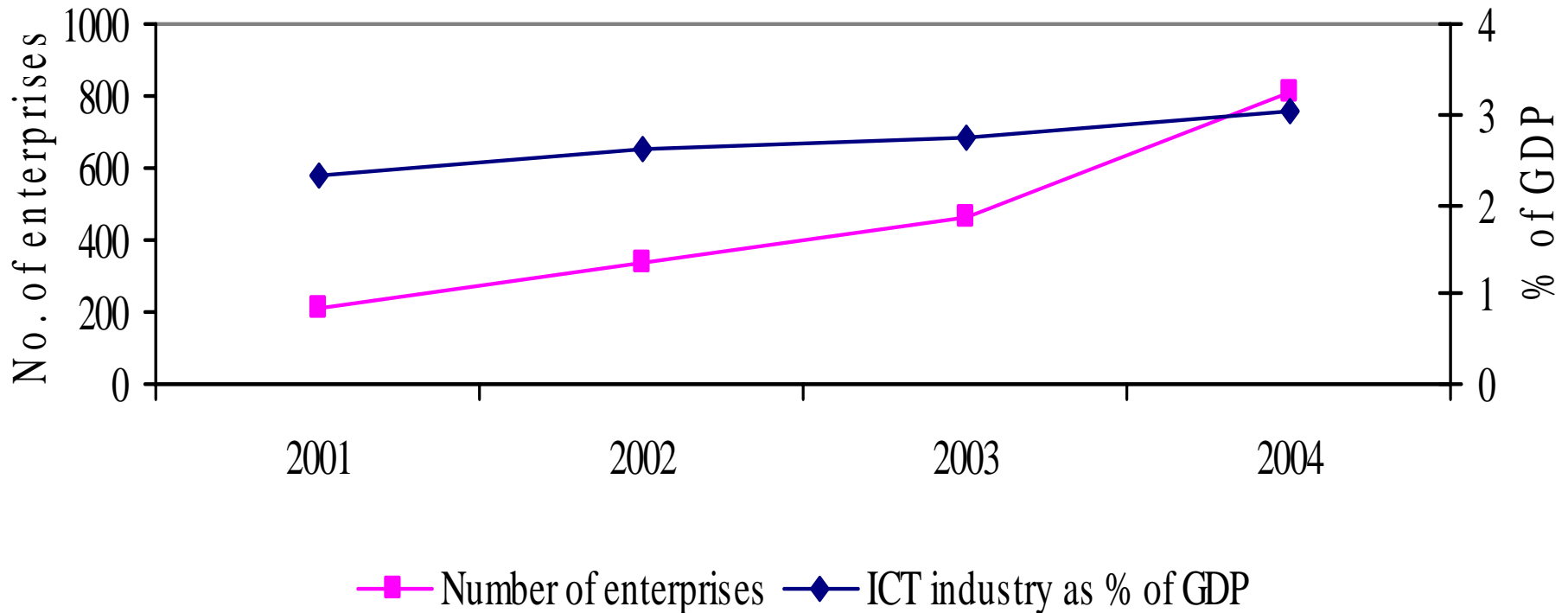
ICT industry development

Densities of selected ICT equipments in Viet Nam



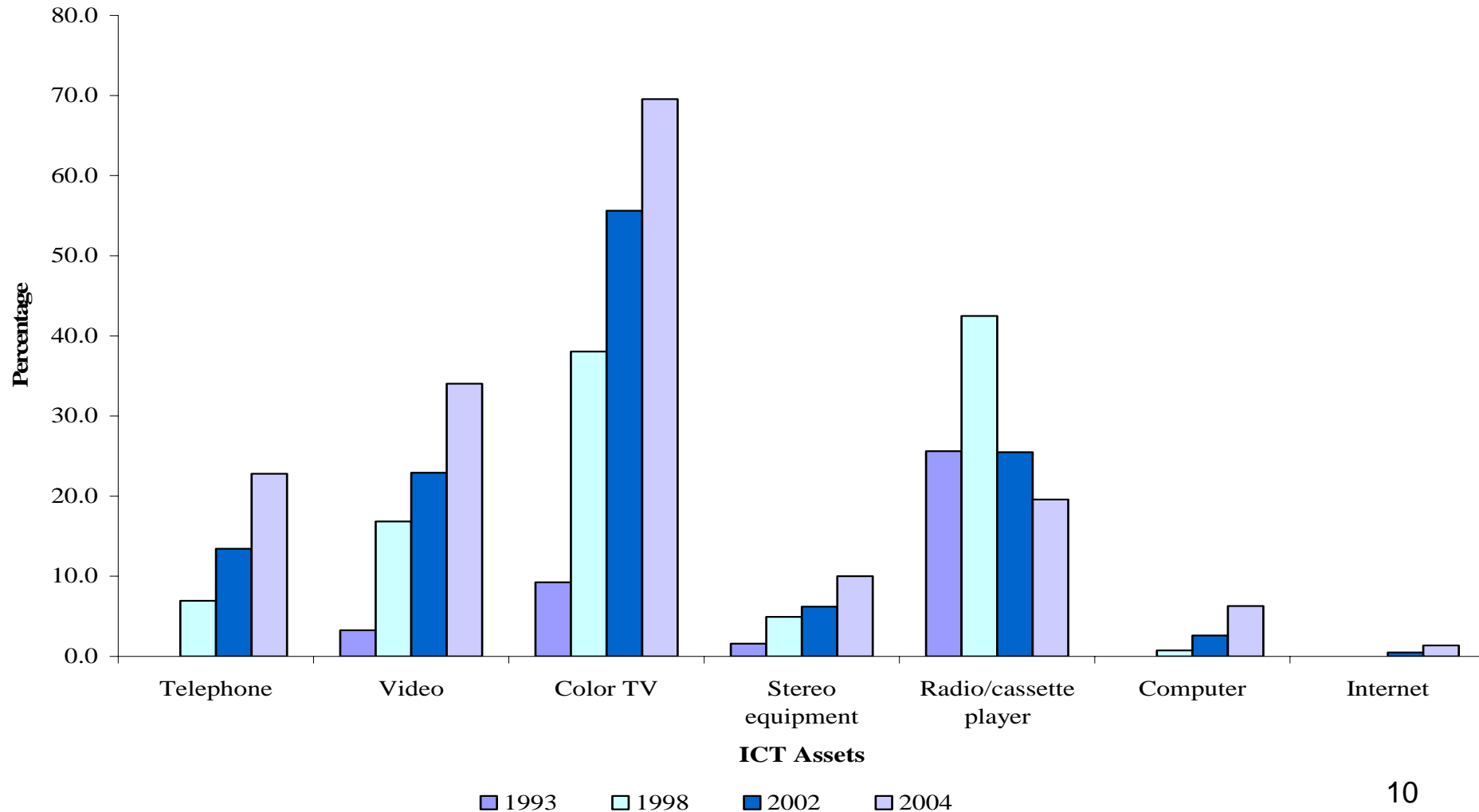
ICT industry development (cont)

Some indicators of ICT industry in Vietnam, 2001-04



ICT industry development (cont)

Share of households with ICT assets 1993-2004



ICT industry development (cont)

Share of households with ICT assets in 2004 (%)

	Total	Area	
		Urban	Rural
Telephone	22.8	55.5	11.0
Mobile phone	7.7	23.1	2.2
Video	34.0	55.0	26.5
Color TV	69.5	89.8	62.2
Stereo equipment	10.0	20.4	6.3
Radio/cassette player	19.6	19.9	19.5
Computer	6.3	18.9	1.7
Internet	1.4	4.6	0.2

Constraints in ICT sector

- Vietnam's ICT indicators lag behind many other ASEAN countries
- High telecom. and Internet cost
- Restrictive licensing policies and policies influenced by monopoly
- Unequal access of ICT products of households by regions and between rural and urban areas
- ICT infrastructure is underdeveloped in the remote and mountainous areas

Impacts of ICT on welfare

- Impact of infrastructure (including ICT) on poverty reduction and household welfare in rural areas of Viet Nam:
 - Impact of infrastructures on poverty dynamics between 2002 and 2004 by applying a multinomial logit model and panel data: positive but not significant impact
 - Impact of infrastructures on household welfare in 1998, 2002 and 2004 by applying income model and cross-sectional data and pooling data: 98 - 02 – 04: positive and significant impact

Impacts of ICT on welfare

- Impact of ICTs on the improvement in welfare at household level in rural and urban of Viet Nam:
 - Impact of ICTs on household welfare by applying the change in household welfare model and fixed effects model and panel data between 2002 and 2004
 - Computer use- the biggest effect, then telephone and finally color TV in the rural and urban areas. Radio cassette use is an important in the rural but not in urban
 - Risk in introducing ICTs in Vietnam also widens the gaps between the rich and the poor

Conclusions and policy implications

- Much more reform efforts are needed to achieve the objectives of ICT enabling environment and catching up with other countries
- Reform regulatory system for safeguard a freer and more competitive enabling environment
- Simplify less restrictive licensing policies and procedures for all investors to increase the number of service provider

Conclusions and policy implications

- Remove the discrimination among foreign investors, private domestic investors and SOEs involved in providing certain important ICT services
- Introduce the general guidelines for self-regulation to replace the restrictions on content
- Provide ICT infrastructure to the vast rural areas.

Thank you !