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

Short Term Research Project under ARTNet

By Tran Quoc Trung
Nguyen Tung
Le Thuc Duc
Nguyen Cao Duc
Tran Hao Hung
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

• 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;
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

Timeline of market opening in Vietnam
ICT industry development (cont)

Some indicators of ICT industry in Vietnam, 2001-04

![Graph showing the number of enterprises and ICT industry as a percentage of GDP from 2001 to 2004. The number of enterprises increases steadily from approximately 150 in 2001 to over 800 in 2004. The ICT industry as a percentage of GDP also increases, from about 0.5% in 2001 to close to 3% in 2004.](image_url)
ICT industry development (cont)

Share of households with ICT assets 1993-2004
### ICT industry development (cont)

**Share of households with ICT assets in 2004 (%)**

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