

In focus: ICT in Vietnam

Vietnam E-Commerce Advances

The International Telecommunication Union (ITU) has prepared a series of Internet Case Studies (www.itu.int/ITU-D/ict/cs) intended to provide current, authoritative information on developments in telecommunications and mass media, Internet and national policies that regulate these services. The Vietnam Internet Case Study was written by Tim Kelly and Michael Minges, with Lara Srivastava and Audrey Selian contributing to some sections.

The Prime Minister has assigned responsibility for E-Commerce to the Ministry of Trade (MoT) <www.mot.gov.vn> and DGPT, although the former has taken a coordinating role. This mandate, which is vague, was given three years ago. The MoT has invited experts and specialists from different ministries and organizations to provide input into the nation's E-Commerce policy development.

In 1998, the MoT launched an awareness campaign about E-Commerce and organized seminars for government officials to discuss the topic. It held a three-week training course in Hanoi for officials from all over the country as part of a Canadian International Development Agency IT project. An E-Commerce guide has been prepared and is available on VDC's website.

Since 1999, there has been a government-funded project to develop a policy paper on E-Commerce. The topic has been divided into twelve subjects (infrastructure, legal, impact on culture, security, consumer protection, e-payment, etc.) and the relevant ministries were assigned to look into each subject. The report, covering 2001–2005, was submitted to the government in July 2001.

A major obstacle to E-Commerce is the lack of information and official guidance from government on what is allowed and not allowed. There is also a shortage of funds and expertise to look into E-Commerce. The government is not stopping anyone from entering the market but they are concerned about how to protect Small and Medium Enterprises (SMEs). There is also a lack of e-payment mechanisms. A major barrier for

Business to Consumer (B2C) E-Commerce in Vietnam is the limited availability of credit cards. The use of credit cards has just recently started, in co-operation with foreign banks. Though credit cards are available, few people have them. Additionally they are primarily used domestically as there are restrictions on overseas use.

The government is working on a legal framework for E-Commerce, including electronic signatures and certification authorities but this is unlikely to become a law in the near future. These issues are more likely to be dealt with through a decree or ordinance. Vietnam may sign the Berne Convention on copyright protection in the near future. This is one of the requirements of the US/Vietnam trade agreement.

Security concerns, relating to hacking and computer crime, have increased. For instance, a Ministry of Trade official recently lost some one million Dong because his Internet account was hacked and his password stolen. In the short term there will be an ordinance on encryption which will help security.

State-owned banks have been slow to develop consumer electronic services such as ATMs or online banking. Instead this is being driven by foreign banks that have been allowed to operate in Vietnam for a number of years. Australia's ANZ was one of the first to set up offices in Vietnam and has two branches in Hanoi and Ho Chi Minh City. ANZ offers credit cards and ATMs but thus far no online banking. Another foreign bank, HSBC, has plans to introduce on-line banking.

There is scarce market research on E-Commerce or business adoption of Information and Communication Technology in Vietnam. For example, there have been no government studies on computer use in companies. One reason is a lack of funding. There are no known estimates regarding the size of the E-Commerce market.

A major bottleneck for facilitating electronic trade is the number of documents and licenses required to do business. Though this may not be remedied in the short-run, more transparency can be introduced by

putting required forms and procedures online. Vietnam is encouraging government departments to go online and make forms such as customs papers available electronically. Supposedly every ministry has a website, although some are only available over the government's intranet.

Despite the barriers, the MoT is taking a number of steps to promote E-Commerce. For example it is developing websites to promote trade. There is also a project to put customs online. The MoT is also interested in following legal frameworks for E-Commerce, particularly the United Nations Commission on International Trade Law (UNICTRAL) model.

The majority of Vietnam's some 30'000 private firms are SMEs. For the most part, they are not very computer literate. The country is working with regional organizations such as APEC and ASEAN to strengthen its SMEs. These regional agreements tend to create some pressure to build up E-Commerce capabilities. The Vietnamese Chamber of Industry and Commerce <www.vcci.com.vn > has also been active in building up IT capability in SMEs and sponsored a workshop in May 2001 on Internet-based information.

It is expected that state-run companies should take the lead in the introduction of E-Commerce. The MoT is particularly optimistic about sectors such as tourism, agriculture and the garment industry. For instance, the Vien Tien company, which sells paper products and clothes, is using its website to advertise its products and to take orders but not yet to do financial transactions. There are also high hopes that Vietnam's large expatriate community will use their expertise to build up E-Commerce applications. The fact that they tend to be well-off and have Internet connections suggests that expatriates provide an ideal market for Business-

to-Consumer transactions.

Some initiatives or potential applications include:

- NutTrade.com, a US company, is helping Vietnamese companies to sell cashew nuts. There is a verbal agreement to develop the scheme nationwide;
- The rice industry is another potential E-Commerce user as this market is now fully opened;
- Flower sales are another possibility, for instance for expatriate Vietnamese sending flowers to relatives living in Vietnam. Flower production is famous in the mountainous Dalat region in the south, near HCM City. It is doing well in attracting foreign investment.

Portal sites are not particularly well developed, though ISP home pages and newspapers attract a lot of attention. One successful company is VASC (value-added services company) <www.vasc.com.vn> which is a kind of Vietnamese version of Yahoo. Another portal is VITRANET <www.vinakey.com.vn>, partially supported by the ITU's Electronic Commerce for Developing Countries project. It provides trade news, legal documents and other business-related news on its website.

Overall, the Ministry of Trade is confident that E-Commerce will take off in Vietnam but it is difficult to see the way ahead. For example the Ministry has plans to have e-procurement and trade management go online by 2005. Unfortunately this timetable is too conservative and in the meantime the country is missing out on many benefits of E-Commerce. Vietnam has a long way to go to improve its E-Commerce physical and legal infrastructure and improve its low e-readiness ranking.