

The political economy of Internet innovation policy in Vietnam

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Abstract

Despite the government's central role in Internet innovation, Vietnam has one of the lowest Internet subscription rates in the world. This paper presents an analysis of Internet innovation in Vietnam. It is argued that one of the major reasons for the modest success is that Internet innovation policy is influenced more by ideo-political than socio-economic realism. To further Vietnam's integration into the world economy, it is recommended that the government relinquish control and liberate the sector to generate genuine competition.

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1. Introduction

Due to its economic and socio-political significance, the Internet is increasingly the focus of technology policy of nations around the world [1]. To reduce socio-economic development disparities, governments in developing countries are formulating policies to sustain and accelerate the nation's technological innovation rate [2].

At a national level, information and communication technology (ICT) policy did not exist in Vietnam until 1993, when the first governmental resolution 49 [3] for information technology (IT) was enacted as part of the

Abbreviations: ANU, Australian National University; BBS, Bulletin Broadcasting System; CIDS, Cooperation Internationale pour le Developpement et la Solidarite; DGPT, Directorate-General of Post and Telecommunications; FTP, File Transfer Protocol; HTTP, Hypertext Transfer Protocol; IAP, Internet Access Provider; ICP, Internet Content Provider; ICT, Information and Communication Technology; IoIT, Institute of Information Technology; ISP, Internet Services Provider; IT, Information Technology; ITU, International Telecommunications Union; IXP, Internet Exchange Provider; MoCI, Ministry of Culture and Information; MoI, Ministry of Interior; MoPI, Ministry of Planning and Investment; MoPT, Ministry of Posts and Telematics; MoSTE, Ministry of Science Technology and the Environment; PC, Personal Computer; PSTN, Public Switched Telephone Network; P&T, Posts and Telecommunications; R&D, Research and Development; SMTP, Simple Mail Transfer Protocol; TCP/IP, Transmission Control Protocol/Internet Protocol; UUCP, Unix-to-Unix copy protocols; VARENet, Vietnam Academic Research and Educational Network; VASC, Value-added Services Centre; VCP, Vietnamese Communist Party; VDC, Vietnam Data Communications; VIETPAC, Vietnam Packet Switched Network; VND, Vietnamese Dong; VNICC, Vietnam National Internet Coordination Committee; VNPT, Vietnam Posts and Telecommunications; VOIP, Voice over Internet Protocol; VTI, Vietnam Telecom International

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country's IT2000 plan [4]. Resolution 49 [3] mandated the overall goal of IT and data communications networking development up until the year 2000. It was aimed at building the foundation for the information infrastructure and thereby meeting the increasing demand for information in state management and socio-economic activities.

The first transformation wave in the Posts and Telecommunications (P&T) sector occurred in 1992. Under the pressure of economic reform, and to better address the growth of the telecommunications sector, the government issued Decree 3 [5] in October 1992 to legally detach the Directorate-General of Post and Telecommunications (DGPT) from the former Ministry of Communication and Transportation. The DGPT institution held a ministerial status and served as the regulatory and policy-making organization. To separate the provision of services from DGPT regulatory functions, Vietnam Posts and Telecommunications (VNPT) was formed. Several subsidiaries were created to handle various operating activities [6]. During this initial period, VNPT did not have an independent legal entity status. It operated under the direct control of the DGPT. Backed by political power combined with the control of strategic resources and physical facilities, VNPT was allowed to become a de-facto monopoly in the Vietnamese telecom sector. The DGPT's functions, duties, power and organizational structure were later redefined by the governmental Decree 28 [7] in May 1993.

Although services provision activities and regulatory functions had been split, the separation was blurred by the fact that VNPT had been part of the same DGPT state apparatus, and did not face competitive pressures and market dynamics. According to Decree 28 [7], VNPT was officially instituted as the country's long-distance operator and network integrator. Vietnam Data Communications (VDC) was also established as a subsidiary of VNPT to control and develop the future data transmission and networking activities in Vietnam. Legally, VNPT was only established in April 1995, following the governmental Decision 249 [8].

It is argued that the Vietnamese ICT policy initiative has to be understood, primarily, as a reaction by the institutional structures to the initiatives launched by other governments in the early 1990s. Additionally, it was the institutional structures' response to the pressures of global competition whereby the country decided to transition to a market economy. Although the Vietnamese economy was more open and subject to competition than in the 1980s, in a large measure the ICT sector, and particularly the Internet, remained highly protected under government control.

The organization of the paper is as follows: Section 2 provides a contextual background for the politico-economic setting in Vietnam since 1975; it has tremendous implications for, and is intertwined with, Internet innovation policy. Section 3 reviews the role of the institutional factors in technological innovations. Section 4 details the Internet innovation policy in Vietnam from 1992 to 2002. Section 5 presents a political economic analysis of Internet innovation in Vietnam and Section 6 provides recommendations to the Vietnamese government with regard to an Internet innovation policy.

2. The politico-economic setting since 1975

From a politico-economic perspective, Vietnam entered a new historical stage when the Vietnam war ended on April 30, 1975. In July 1976, the country was unified as the Socialist Republic of Vietnam. According to Vo [9], in that same year, to accelerate the process of political and economic reunification, the Vietnamese Communist Party (VCP) immediately imposed the Northern socialist development model on the South in every field—ideological, political, cultural, economic, and technical—without taking into account the specific socio-economic and cultural characteristics of the Southern part of Vietnam. From an economic perspective, during the 1975–1985 period, state enterprises dominated the industrial sector. The major share of state investment was mainly allocated to the heavy industry sector. Through the collectivization of agriculture and the confiscation and nationalization of industries and commerce, the state controlled both the production and distribution of goods and services. Additionally, to strengthen domination, the state exerted a monopoly over the banking, transportation, telecommunications and postal services sectors.

Ten years after the historic reunification of the country, in 1985, the central planning approach to economic development did not provide the results that the Vietnamese government sought. Socio-economic crises and the collapse of Eastern European socialism forced the country to adopt a new economic development paradigm [10]. Indeed, in August 1986, the VCP initiated a significant shift in its reform program and

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