

#### 4. Computer Hardware and Software Services

##### Overview

<b>IT Market in Total</b>			
	2003	2004	2005 (estimated)
Total Market Size	515	685	850

<b>Computer Hardware</b>			
	2003	2004	2005 (estimated)
Total Market Size	410	545	680
Total Local Production	84	98	115
Total Exports	12	15	18
Total Imports	338	462	583
Imports from the U.S.	29.5	44.6	55

<b>Computer Software &amp; Services</b>			
	2003	2004	2005 (estimated)
Total Market Size	105	140	170
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A
Imports from the U.S.	16	19	23

\* The above statistics are in US\$ millions and are unofficial estimates

The information technology industry represents one of Vietnam's fastest growing sectors. A recently published market study by a major private-sector research organization suggested that during the period from 2004-2008, Vietnam's spending on this sector will rank among the top ten in the world. The Government of Vietnam has articulated its commitment to boosting the development of the ICT industry, particularly in the software production sector, Internet infrastructure, IT education promotion, and other forms of human capital development.

Vietnam's Information Technology (IT) industry recorded sales of \$685 million in 2004, a figure expected to reach \$850 million in 2005 and to continue its rapid growth through 2006 and beyond. Vietnam's IT sector surged 33 percent in 2004 reflecting many new initiatives to widen IT use in the country. However, surveys conducted by international firms and local industry associations shows Vietnam's IT sector growing at an average annual rate of 25 percent in the coming years.

Sales in Vietnam's ICT sector have been dominated by hardware purchases, which have accounted for approximately 80 percent of total IT spending during the past five years. This focus on hardware reflects, in large part, the widespread piracy of software and lack

of effective protection of intellectual property in Vietnam. Estimates of the rate of pirated software in use in Vietnam range from 94 - 99 percent.

Vietnam's imports of computer hardware and peripherals totaled \$462 million in 2004, out of total market sales worth \$545 million. In 2005, sales of computers and peripherals are expected to reach \$680 million, of which about \$583 million will be imported. Vietnam's IT market is still concentrated in two major cities: Ho Chi Minh City (HCMC), which accounts for approximately 60 percent of all sales, and Hanoi, which accounts for about 30 percent of the market.

Internet related service providers represent another fast-growing industry sector for IT equipment, software, and service suppliers. To date, six Internet exchange access service providers (IXP), 17 Internet service providers (ISPs), and 15 On-line service providers (OSPs) have been licensed. As of November 2005, Vietnam had 2,678,070 Internet subscribers with 9,911,749 Internet users, equating to 12 percent of the country's population. Vietnam currently has total international bandwidth of 3,505 Mbps. These figures will increase rapidly, as there are significant efforts to broaden the availability of the Internet for public use.

#### Best Products/Services

Internet equipment and training services are among the best prospects for U.S. exporters of information technology.

#### Opportunities

American IT companies will find growing opportunities for doing business in Vietnam, particularly in sectors associated with Internet development.

The IT industry offers opportunities for training service providers as well. The Government of Vietnam has drawn up an ambitious plan for the domestic industry that aims at reaching annual sales of \$500-\$800 million by 2005 and \$3 billion by 2020. The plan consists of three major programs: the development of IT human resources; the development of a software export sector; and the development of a hardware-manufacturing base. Currently, Vietnam does not have the capability to execute the Government's plan in any of these areas. In order to do so, significant investment in training and technology transfer must occur – a need that could offer significant export opportunities for American IT hardware and service suppliers.

Many leading American PC manufacturers have marketing operations in Vietnam with Dell and Hewlett-Packard leading the market. Vietnam will continue to import a significant number of PCs and peripherals. The primary customers for imported equipment are multi-national corporations, large state-owned-enterprises and the government.

The computer services market has evolved into a two-tier market, whereby foreign computer firms serve foreign businesses operating in Vietnam and local firms cater largely to Vietnamese clients. For the most part, foreign companies seeking computer

services use foreign invested service providers, while Vietnamese companies rely on local computer retailers who offer a limited package of services.

## Resources

Vietnam's National Steering Committee on ICT (NCICT)

<http://www.ictcommittee.gov.vn>

Ministry of Posts and Telematics (MPT)

<http://www.mpt.gov.vn>

Ministry of Science and Technology (MOST)

<http://www.most.gov.vn>

Ministry of Planning and Investment (MPI)

<http://www.mpi.gov.vn>

Ministry of Trade (MOT)

<http://www.mot.gov.vn>

Vietnam Posts and Telecommunications Corp. (VNPT)

<http://www.vnpt.com.vn>

Vietnam Internet Network Information Center (VNNIC)

<http://www.vnnic.net.vn>

HCMC Computer Association

<http://www.hca.org.vn>