



Chapter 11

Digital Transformation- related Businesses

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1. Introduction

Market-oriented institutional reforms and economic integration have been two of the three main pillars of Viet Nam's economic reforms since Doi Moi (Renovation) in 1986 (together with macroeconomic stabilisation). These have worked together to broaden the economic opportunities for Vietnamese businesses and people. At the same time, Viet Nam has made efforts to build capacity for its businesses and people to realise the opportunities, including via promoting innovation. Reforms were more progressive during the 1989–1996, 2000–2007, and 2014–2019 periods, which also brought about remarkable socioeconomic achievements. More recently, even in bad times during the COVID-19 pandemic, Viet Nam managed to sustain its economic reforms, aiming to promote sustainable and innovative growth. Consequently, Viet Nam outpaced most other nations with economic growth rates of 2.91% in 2020 and 2.58% in 2021 and had its growth recover to 8.02% in 2022.

Viet Nam, nevertheless, has been facing a slowdown in long-term economic growth. Such a slowdown has been accompanied by a modest upgradation in growth quality and worker productivity. The country has, thus, become more determined in searching for new drivers for future growth in order to reach its aspiration of becoming a high-income country by 2045. One of the emerging drivers is the rise of the digital economy. To accommodate and match the efforts of businesses in digital transformation, the Government of Viet Nam has taken radical actions to strengthen institutions for a digital government and the online delivery of public services. Viet Nam has also started to facilitate more drastic digital transformation in new economic areas, such as the sharing and platform economies, e-commerce, e-tourism, and the gig economy. These efforts were also made prior to 2020, but they were intensified

during the COVID-19 pandemic in 2020–2021. The Vietnamese Prime Minister's decisions, such as No. 645/QĐ-TTg in 2020 on the Master Plan to Develop E-commerce in 2021–2025; No. 749/QĐ-TTg in 2020 on the National Digital Transformation Program to 2025, Vision to 2030; No. 942/QĐ-TTg in 2021 on the Development Strategy for E-government Towards Digital Government in 2021–2025, Vision to 2030; and No. 411/QĐ-TTg in 2022 on Digital Economy and Digital Society are examples of such concerted efforts.¹

Apart from domestic efforts towards digital transformation, Viet Nam has also been more open in considering international collaboration in digital economy issues. This has been partly due to the growing consensus amongst various countries that digital transformation would be inevitable, irrespective of the standards that can be used (and thus the risk of choosing sides during geopolitical

¹ See Chapter 8 by Nguyen and Kimura for a more detailed review of these documents.

rivalries amongst superpowers). Countries in the region made various pioneering efforts towards partnership and cooperation in the digital economy, and some have gone past the level of the ambitions embodied under completed arrangements such as the Trans-Pacific Partnership Agreement (TPP, later replaced by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership – CPTPP). The Digital Economy Partnership Agreement (DEPA) between Singapore and Australia and the DEPA between Singapore, New Zealand, and Chile then emerged as examples of such pathfinding initiatives. Additionally, initiatives were made to encourage paperless trade, with the UNESCAP Framework Agreement on Cross-Border Paperless Trade Facilitation coming into effect in February 2021 being the most notable.

It should be noted that digital economy covers more than just information and communication technology (ICT) activities. Instead, it also includes the use of digital technologies to transform traditional economic activities (i.e. digital transformation). In the case of Viet Nam, whilst digital economy measurement has remained an issue as of March 2023, such a transformational impact may arguably be even larger than the direct contribution of the ICT sector itself. Thus, fostering digital transformation entails complicated considerations, such as the sectors/activities for targeted development, whether the protection of ‘infant’ digital industries would be necessary, or whether it should wait until after a decent capacity for cybersecurity and cyberinformation security is established, etc. In this regard, the extent of Viet Nam’s preparedness for digital transformation and the approach it undertakes to nurture digitally enabled businesses will play a decisive role in the country’s engagement in and benefit from the digital economy.

This chapter aims to discuss the potential of digital transformation-related businesses in Viet Nam by 2045. In doing so, it starts by discussing the current state of such businesses to showcase their swift development since their emergence in Viet Nam. On that basis, the chapter elaborates on the future development paths and policy approaches of Viet Nam related to digital transformation-related businesses.

2. Current State of Digitally Enabled Businesses

Within its limited scope, this section focuses on some selected types of digitally enabled businesses, including: (i) the sharing and platform economy, (ii) e-commerce, and (iii) e-tourism.

2.1. Sharing and Platform Economy

Viet Nam has acknowledged the presence of the sharing and platform economy for various years. This newly emerging economic model has already been applied in a range of activities, from crowdsourcing and crowdfunding to ride hailing, etc. Under a proposal by the Ministry of Planning and Investment (Central Institute for Economic Management), the Prime Minister issued Decision No. 999/QĐ-TTg in 2019 approving the Scheme for the Development of Sharing Economy. The Decision aims to: (i) ensure a fair and equal business environment for businesses applying the sharing economy model and traditional businesses; (ii) ensure the rights, obligations, and legitimate benefits of the parties joining the sharing economy model, such as service providers and users, and platform providers; and (iii) encourage innovation, application of digital technology, and development

of digital economy (Prime Minister of Viet Nam, 2019). The Decision sets out four groups of policy measures, including: (i) solutions for exercising and performing the rights and duties of service providers in the sharing economy; (ii) solutions for exercising and performing the rights and duties of service users in the sharing economy; (iii) solutions for exercising and performing the rights and duties of technology companies/platform providers in the sharing economy; and (iv) solutions to be adopted by the state for establishing and developing business and investment ecosystems in the sharing economy.

In particular, the action plan to develop policies for the sharing economy covers a variety of tasks. These include establishing a fair and equal business environment between the sharing economy and traditional economy; reviewing and abolishing business conditions that are no longer suitable for the traditional business sector and generally apply to the sharing economy; encouraging innovation and the development of technology, especially the research and development of technological platforms, human resource development, and infrastructure development to facilitate the development of the sharing economy; amending the legal systems and applicable policies to correspond with sharing economy activities, especially regulations and policies stipulating the responsibilities of the parties of the sharing economy and the responsibilities of the state regulatory authorities related to the sharing economy model; establishing mechanisms for the sharing of information and data between governments at all levels and enterprises, professional associations, and household businesses; improving the legal framework to manage electronic payments for the cross-border provision of services. In doing so, Viet Nam also aims to mitigate consumer protection risks and prevent the evasion of taxes and performance of other liabilities as prescribed by laws.

Viet Nam has achieved some progress in developing the sharing economy. The most popular fields have been shared transportation, shared accommodation, and shared infrastructure. In the field of transportation, the development of online transportation services (Grab, Be, and Gojek (formerly known as GoViet), etc.) has helped mobilise a large number of labourers, cars, and personal motorbikes of households and resources of economic units in a shared manner. This in turn contributes to economising on resources and assets more economically and efficiently throughout the entire asset life cycle. According to a report by the Ministry of Transport (cited in Vu (2021)), in the two years (January 2016–January 2018) of the pilot project, 'Deploying the Application of Science and Technology to Support Management and Connection of Passenger Transport Activities Under Contract' (Grab car project), Viet Nam as a whole had 866 transport units (enterprises, transport cooperatives) with 36,809 vehicles, and tens of thousands of workers participated in the pilot. Of these, Ho Chi Minh City had 506 transport units and 3 software providers, with 21,601 vehicles participating in the pilot; Hanoi had 354 transport units and seven software providers, with 15,046 vehicles participating in the pilot; Quang Ninh province had 4 transport units and 2 software suppliers, with 62 vehicles participating in the pilot; Khanh Hoa province had 2 software providers and transport units, with 100 vehicles participating in the pilot. Indeed, Viet Nam was the fastest-growing market of Uber (which later merged with Grab) in 2015.

In the field of housing and hotels, a new type of housing and room-sharing service was launched in Viet Nam before the COVID-19 pandemic. Major platforms for the sharing service include Luxstay, Airbnb, and Travelmob. There are no accurate statistics on the number of participating accommodation establishments. However, the Ministry of Planning and Investment (2020) cited an estimate by Outbox (2019) that by January 2019, there were about 18,230 accommodation

establishments participating in the Airbnb model in Viet Nam, with 40,804 listings, an increase of more than 40 times compared to 2015. The figures exclude many room-sharing businesses and offices registered in other applications.

In the field of information and communication, although a sharing business model has not yet appeared, a form of cooperation in sharing the same transmission infrastructure is already in place. Following Directive No. 52/CT-BTTTT dated 11 November 2019 of the Minister of Information and Communications on enhancing the sharing and common use of passive telecommunications technical infrastructure amongst telecommunications enterprises, telecommunication enterprises including Viettel, VNPT, Mobiphone, and Gtel have signed an agreement to use the same location for base transceiver stations (BTS). The total number of stations that these enterprises have agreed to use together is nearly 2,100, which has increased investment efficiency and saved billions of Vietnamese dong for businesses. The potential for sharing BTS remains ample, as the sharing rate in Viet Nam was only 1.2–1.3 times, far lower than other countries such as the United States (2.5 times), China (1.48 times), India (2.1 times), and Indonesia (1.8 times) (Ha Linh 2022).

There have been several advantages that the sharing economy could offer to consumers as well. According to CSIRO (2019), buying or selling services on sharing economy apps were assessed by buyers to have a low-to-medium risk level, whilst saving time and expenses and augmenting income and flexibility. Besides, as the sharing economy helps conserve resources, it can limit pressure on resources (especially non-renewable resources) and the associated negative externalities of their production. This can in turn contribute to promoting sustainable consumption and production – a priority for Viet Nam in the decades ahead.

The room for developing the sharing economy in Viet Nam remains ample. On the one hand, software companies and start-ups are enjoying a more enabling environment as Viet Nam abolishes the regulatory constraints for digital economy development. On the other hand, Viet Nam's 'net-zero' commitment at COP26 and improved consumer literacy may increase attention on and practices of sharing assets. It should be noted that such assets should no longer be restricted to accommodation and cars, etc. Instead, the sharing economy may include in its scope digital assets as well (such as sharing subscriptions of subscription-based streaming services, etc.).



2.2. E-commerce

For decades, Viet Nam has worked to facilitate the development of e-commerce. The National Assembly of Viet Nam approved Law No. 51/2005/QH11 on Electronic Transactions as early as 29 November 2005. This Law was built on the basis of the Model Law on Electronic Commerce (1996) of the United Nations Commission on International Trade Law (UNCITRAL). In particular, the Law includes detailed regulations on e-signatures, a factor that ensures the reliability of data messages when conducting transactions.

Various government decrees were issued to guide the principles governing electronic transactions. Decree No. 52/2013/ND-CP on E-commerce of 2013 stipulates that electronic documents in commercial transactions may constitute a contract, proposal, notice, confirmation, or another document in the form of a data message provided by the parties and related to contract conclusion or performance. This Decree was amended by Decree No. 85/2021/ND-CP of 2021, which retains the same definition of electronic documents. Decree No. 30/2020/ND-CP of 2020 provides for equivalence between paper documents and electronic documents. In specific cases, electronic contracts in commercial transactions are applied according to Commercial Law No. 36/2005/QH11; specifically, the data messages that satisfy all the technical conditions and standards provided for by law shall be recognised as legally valid documents. Meanwhile, in Decree No. 47/2020/ND-CP dated 9 April 2020 on the Management, Connection, and Sharing of Digital Data of State Agencies, digital data is defined as data in the form of signs, scripts, numerals, images, sound, or a similar form and demonstrated by digital signals, and digital data carry digital information and may be shared in the form of data messages. In Decree No. 47/2020/ND-CP, accordingly, data are construed as digital data.

By the end of 2022, the Law on Electronic Transactions had not been revised yet. In the current development context, this Law arguably contains a number of shortcomings. Specifically, the provision on the scope is no longer appropriate as per current development practices; the regulations on the legal validity and evidentiary value of data messages, electronic records, and documents are unclear; specific regulations on procedures in concluding electronic contracts, secure data messages, and secure electronic signatures are not clearly stipulated, leading to a lack of trust of the parties when participating in electronic transactions. The Government of Viet Nam has identified a plan to revise the Law, as reflected in Resolution No. 50/NQ-CP, dated 20 May 2021, to implement the Resolution of the 13th Party Congress and Resolution No. 152/NQ-CP, dated 3 December 2021, on directions to revise some laws.

In the context of the COVID-19 pandemic, Viet Nam saw a more emphatic need for promoting e-commerce development, and the Prime Minister issued Decision No. 645/QĐ-TTg on Master Plan for E-commerce Development During 2021-2025. At the same time, the approach focuses not only on entry and competition in the e-commerce market but also on dispute resolution related to e-commerce transactions. Accordingly, Decision No. 645/QĐ-TTg sets out the task to promote a pilot mechanism of online dispute resolution (ODR). Various stakeholders have also embarked on the development of ODR platforms. The Vietnam International Arbitration Center (VIAC) established the Medup platform for online mediation in March 2021, whilst the Hanoi International Arbitration Center established its own ODR platform in 2020. With funding from the Aid for Trade programme by the

Australian Department of Foreign Affairs and Trade, the Central Institute for Economic Management (CIEM) of Viet Nam implemented – in collaboration with the VIAC and other organisations – a pilot project to promote ODR in Viet Nam during March 2020–September 2021. Amongst the project activities were three training sessions (in Hanoi, Danang, and Ho Chi Minh City) for enterprises on the use of online dispute resolution. Indeed, the project led to significant improvements in the awareness of small and medium-sized enterprises regarding the use of ODR: up to 99% of the firms that participated in the ODR simulations assessed themselves as having a moderate-to-high understanding of ODR (CIEM, 2021a).

Viet Nam has had a rapidly growing e-commerce market, especially since 2015. The business-to-consumer (B2C) e-commerce market has had a stable growth rate, reaching over 19.1% per annum on average, with a value rising from US\$4.8 billion in 2015 to US\$13.7 billion in 2021 (Table 11.1). The Internet and Digital Economy Agency (IDEA, 2022) projects that Viet Nam’s B2C e-commerce may reach a scale of US\$16.4 billion in 2022.

Viet Nam’s robust e-commerce development was reflected by increases in both the number of online buyers and the average value of online transactions per buyer. Specifically, the number of online buyers rose from 30.3 million in 2015 to 54.6 million in 2021. The average e-commerce transaction value per customer also increased from US\$160 in 2015 to US\$225 in 2019, and to US\$251 in 2021 (even in the context of the COVID-19 pandemic). In another aspect, the growth of e-commerce revenues has been faster than total retail sales in Viet Nam (Nguyen, Tran, and Do, 2022). Consequently, the share of B2C e-commerce in total retail sales climbed from 2.8% in 2015 to over 5.5% in 2020 and 7.0% in 2021.

Table 11.1. Viet Nam’s B2C E-commerce, 2015–2022

	2015	2016	2017	2018	2019	2020	2021	2022*
Number of online buyers (mil.)	30.3	32.7	33.6	39.9	44.8	49.3	54.6	57–60
Average value of online transactions per buyer (US\$)	160	170	186	202	225	240	251	260–285
Share of B2C e-commerce in total retail sales (%)	2.8	3.0	3.6	4.2	4.9	5.5	7.0	7.2–7.8
Internet penetration rate (%)	54.0	54.2	58.1	60.0	66.0	70.0	73.0	75.0

* Figures for 2022 are projections by IDEA.
Source: IDEA (2020, 2021, 2022).



Viet Nam is considered to be one of the most promising markets for e-commerce. By the end of 2021, nearly 73.0% of the population had access to the Internet (IDEA, 2022). The overall digital economy was projected by Google, Temasek, and Bain & Co. (2022) to reach US\$23 billion in 2022 and US\$49 billion in 2025, with a projected growth rate of 31% per annum on average during 2022–2025. Of this, the scale of e-commerce was projected to increase from US\$14 billion in 2022 to US\$32 billion in 2025, i.e. on average by 37% per annum.

On a related aspect, Viet Nam has improved its ICT infrastructure significantly. According to the United Nations (UN, 2022), in 2022, Viet Nam's Telecommunication Infrastructure Index ranking was 74th, lower than in 2020 (69th) but higher than in 2018 (100th). The International Telecommunication Union (2021) ranked Viet Nam at 25th out of 194 countries and territories in terms of its Global Cybersecurity Index, compared to 50th in the preceding ranking. Internet penetration rose to 74.9% in 2020, increasing by more than 3 times compared to 2015 (Ministry of Information and Communications, 2021). More importantly, Viet Nam is progressive in improving its regulations on the digital economy. The Digital Riser ranking by the European Center for Digital Competitiveness (ECDC, 2021) shows that Viet Nam had the most improvement in East Asia and the Pacific in the past 3 years, with top rankings in both the ecosystem and mindset dimensions.

From the firm level, there have been increasing efforts to promote and make use of e-commerce channels. According to the Viet Nam E-commerce Business Index 2021, 42% of surveyed enterprises² confirmed they had built a website, slightly lower than the rate of 44% in 2018 but similar to that in 2019. As an explanation, a portion of enterprises had more than one effective channel for direct business instead of focusing on doing business via a website, apart from the larger survey sample. Indeed, the total number of e-commerce websites and applications rose from 29,370 in 2019 to 36,451 in 2020 and 43,411 in 2021, i.e. on average by 21.6% per annum during 2019–2021. The number of corporate accounts received in e-commerce management also went up from 42,976 in 2019 to 67,054 in 2021, i.e. an average growth rate of 24.9% per annum (IDEA, 2022).

In parallel, other channels of e-commerce have proliferated. E-commerce via social networks increased due to relatively low costs and effective outreach to potential customers. Amongst the

² 4,693 valid responses. Source: VECOM (2021).

surveyed enterprises by the Vietnam E-Commerce Association (VECOM, 2021), 41% had sales via social networks in 2020. This does not take into account individual sellers on platforms such as Facebook, almost all of which did not have to pay income taxes for earnings on the Internet by 2021. In addition, e-commerce activities via platforms became more popular. In 2020, 22% of the surveyed enterprises had sales via e-commerce platforms, increasing by 5% compared to 2019. Meanwhile, the use of mobile e-commerce applications appeared to be rather stable. The share of enterprises having mobile-friendly websites stayed at 17% during 2017–2020.

Business-to-business (B2B) e-commerce is becoming more popular, albeit more slowly than the B2C market in Viet Nam. According to VECOM (2021), 81% of the surveyed enterprises received orders via email in 2020, about the same as in 2018 (84%). Orders via social networks and websites accounted for 63% and 37%, respectively. Conversely, the share of surveyed firms placing orders via email was 80%, whilst those using social networks and websites were 61% and 40%, respectively. In 2020, however, firms paid more attention to e-commerce platforms, which were used by 31% of the surveyed firms (in 2019: 25%).

Viet Nam still has significant room for the future development of e-commerce. This projection can be explained by several reasons. First, Viet Nam's economy may continue to grow, with further improvements in people's incomes. Second, Viet Nam may address several issues related to e-commerce that consumers have identified, such as the inconvenience (and insecurity) of online payments, confidence with e-commerce transactions, and ease of dispute resolutions related to e-commerce transactions. Third, the eco-system for e-commerce is expanding in Viet Nam, with more diverse applications. For instance, payment methods are being renovated, with potential permission for fintech companies to provide innovative payment services and a more rigorous legal framework for cashless payments. In addition, the expanding services (related to food delivery, shopping, etc.) by sharing transportation platforms, such as Grab, Gojek, Be, etc. could facilitate e-commerce development.

2.3. E-tourism

Over the past decades, tourism has been an important sector in Viet Nam. Both revenues for accommodation providers and tour operators have been increasing continuously during 2000–2019, with respective average growth rates of 17.2% p.a. and 21.1% p.a. (Figure 11.1). The numbers of domestic tourists and international tourists have also gone up drastically. In particular, the number of domestic tourists rose on average by 17.1% p.a. during 2000–2019 (Figure 11.2). The sectors only experienced a sharp contraction in 2020–2021 due to the COVID-19 pandemic and associated policy measures by various countries (including Viet Nam) to prevent the spread of COVID-19 (Figures 11.1 and 11.2).

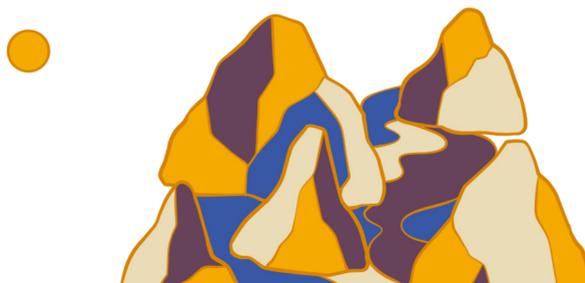
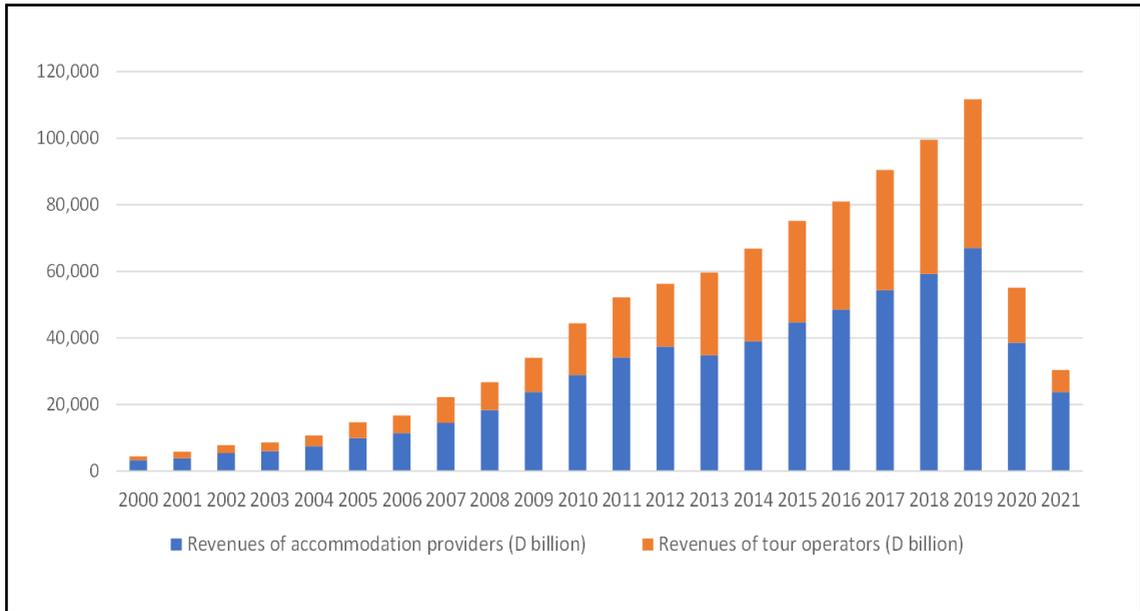
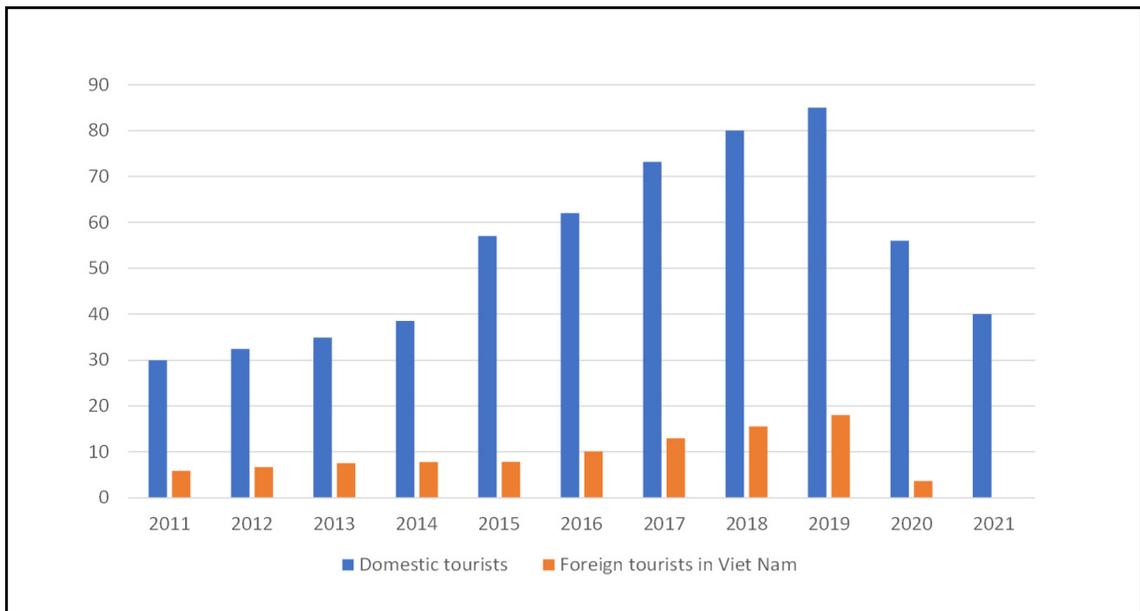


Figure 11.1. Revenues of Tourism-related Activities



Source: General Statistics Office.

Figure 11.2. Number of International Tourists (millions)



Source: Viet Nam National Administration of Tourism.

Amidst the context of the COVID-19 pandemic, Viet Nam made attempts to promote e-tourism activities. During September–December 2021, Ninh Binh province had a series of e-tourism activities scheduled every Sunday morning to introduce scenic spots in the province. The ATK Dinh Hoa historical relic in Thai Nguyen province deployed a digital map and VR tours via the address <https://atk.vimap.vn>, thereby enabling close viewing or moving between different spots. According to Google, Temasek and Bain (2022), the gross market value for online travel in Viet Nam is projected to rise from US\$2 billion in 2022 to US\$6 billion in 2025, i.e. a three-fold increase during 2022–2025.

In 2020, the Prime Minister issued Decision No. 147/QĐ-TTg approving the strategy of tourism development until 2030. Accordingly, the Decision sets out various measures to promote the digital transformation of tourism. Specifically, the measures are to: develop smart tourism; promote and brand tourism; manage tourists, tourism-related activities, and tourism resources; control, monitor and warn of pollution by applying scientific and technological advances in a digital platform; develop a smart tourism ecosystem; apply digital technologies to connect, support, and increase the experience for tourists; expand capacity to provide services combining digital and real channels; optimise electronic transactions in tourism activities. In line with this, various provinces have updated their tourism development plans to include e-tourism explicitly.

2.4. Key Issues

There are several key issues that must be addressed to promote the development of digitally enabled businesses. *First*, the legal framework for innovation and technological advancement still reflects incompatibility with the development of digitally enabled businesses. There are a couple of specific legal issues. On the one hand, the policies and programmes to foster technological innovation and start-ups fall short of expectations from businesses, particularly start-ups. In the area of e-commerce, the Law on Electronic Transactions was still under revision by the end of 2022, despite action plans to develop e-commerce as early as 2020. For e-tourism, meanwhile, there was no concrete policy document after Decision No. 147/QĐ-TTg in 2020 on the national strategy for tourism development. As will be discussed later, embarking on good regulatory practices in developing policies for digitally enabled businesses is no easy task, as data unavailability in these new business areas often prevent rigorous impact assessment and effective public consultation of policies. On the other hand, there remains the duplication and potential overlapping of duties and mandates amongst ministries, line ministries, and management organisations at all levels on issues related to innovation, digital transformation, and e-commerce, etc. More importantly, the policy action plans often do not come with adequately specified resources, which can hardly guarantee effective implementation.

Second, few academic institutions and colleges have formally adapted courses on innovative start-ups or kept up with global technological developments and start-up models. Most educational institutions lack any means of promoting innovative initiatives. Research capacity and the growth of innovative start-ups have been severely impeded by excessive concentration on teaching activities at universities and amongst colleagues as well as by strict funding regulations for such activities.

Third, the fiscal space for supporting innovation is inadequate. Viet Nam is in the process of restructuring budget revenues, as it participates in a number of free trade agreements that

induce the substantial removal of import tariffs. Accordingly, the authorities tend to be reluctant to consider proposals for tax exemption and tax reduction to incentivise economic activities, including innovation. Besides, the tax policy approach to innovation is not yet clear, i.e. whether the tax policy approach aims to maximise the collection of revenues or nurture innovative capacity and start-ups. A notable issue under debate that has already attracted a lot of attention is whether information technology (IT) companies – arguably making profits in the COVID-19 context – should be eligible for tax exemption and deduction. Eventually, the IT companies were not targeted for such fiscal support, with the reason that the support only targeted those making losses. With that approach, the IT companies were effectively penalised for being able to innovate and adapt to the new context.

Fourth, Viet Nam does not have concrete regulatory tools that can support the consideration of policies towards digitally enabled businesses. On the one hand, Viet Nam is short of various statistics related to digital activities at the micro level. The amended Statistical Law in 2020 already updated the list of statistical indicators related to the digital economy, but the figures are only at the national level. These indicators cannot help to measure the digital economy directly; nor has there been any concrete direction to improve the capacity to measure the digital economy. The available indicators could not help account for the interaction of digitally enabled businesses with other economic models/activities, such as the night-time economy. The only viable solution to measure services related to the night-time economy – identified by the Ministry of Planning and Investment with borrowed experience from China – is to work with payment service providers (including credit card providers) to collect details on transactions conducted during night-time hours. On the other hand, Viet Nam did not have a concrete competition assessment framework during the rulemaking process related to the digital economy. Consequently, push-back from traditional economic actors when facing competition from digitally enabled entities at times compelled the government authorities to reconsider, and even reverse, policies.

On a related aspect, Viet Nam has not been sufficiently confident in applying regulatory sandboxes to support innovation. The draft decree on regulatory sandboxes on fintech was introduced in 2020 but had not been issued as of February 2023. Without quick progress and detailed justification, this may be easily misinterpreted as reluctance to promote financial innovation, as Viet Nam retained the prudent approach to new financial products under its Law on Credit Institutions. Likewise, Decision No. 687/QĐ-TTg of the Prime Minister on Promoting Circular Economy Development in Viet Nam sets out a task of drafting a Decree on Pilot Mechanism for Circular Economy Development in Viet Nam, but its realisation will depend very much on the political will to adopt new regulatory initiatives that have cross-cutting implications (e.g. green taxonomy, use of digital technologies, etc.).

Fifth, consumer protection has not received adequate attention in Vietnamese laws in general and in the digital transformation process in particular. According to IDEA (2022), most consumers are concerned about products being of poorer quality than advertised and disclosure of personal data, etc. For various transactions related to traditional goods and services, consumers could not exercise their rights in the case of faulty or mis-advertised products due to the cumbersome procedures with related authorities and due to a large number of authorities with unclarified responsibilities in handling the complaints. In the digital environment, resolving such complaints may be harder as online dispute resolution is relatively new and needs complementary institutional and IT capacity. For consumer complaints related to intellectual property infringement, for instance, the responsibilities of the concerned authorities (such as platform providers, Ministry of Information and

Communications, Ministry of Science and Technology, etc.) are not clearly separated. Without easily accessible means of resolving disputes, the government authorities may be more inclined to ex ante customer protection via more restrictive entry conditions and/or more compliance requirements for providing digitally enabled services.

3. Projection of Related Policy Approaches

This section sketches out several projections for future policy approaches.

3.1. Tax Policy

Over the next decades until 2045, Viet Nam is expected to further improve its tax policy in association with the restructuring of state budget revenues, covering all revenue sources and expanding the revenue base, especially new sources of revenue, in line with international practices; increase the proportion of domestic revenue, ensure a reasonable ratio between indirect taxes and direct taxes, make good use of taxes collected from property and natural resources, and protect the environment; minimise the integration of social policies in taxes and policies on tax exemption, reduction and rescheduling, ensuring tax neutrality, and contributing to creating a favourable, fair, and encouraging business-investment environment.

Specifically, Viet Nam will continue to reform its tax instruments, including value-added tax, special consumption tax, import and export duty, corporate income tax, personal income tax, agricultural land tax, and environmental protection tax, amongst others. For income tax by households and individuals from domestic e-commerce activities, it seems clear that the tax authorities will enforce the tax collection from the sellers. For corporate income tax, Viet Nam may work in the directions of: reviewing and amending or abolishing tax incentives, including tax exemption and reduction, that no longer satisfy development and international integration requirements; minimising the integration of social policies with tax exemption and reduction policies, with the intention of ensuring tax neutrality for stable application thereof in the medium and long term; granting corporate income tax incentives to small and extra-small enterprises and, at the same time, putting more emphasis on the substance, instead of the quantity, of foreign investment encouragement policies, thereby encouraging the participation of all economic sectors in investment in key industries and sectors and areas preferred for investment; broadening the tax base to adapt to Viet Nam's socioeconomic situation and conform to international practices; and implementing standards of prevention and combat against transfer pricing and erosion of revenues in accordance with international practices.

There has been extensive debate in Viet Nam since early 2022 regarding the potential impacts of the country joining the global minimum tax mechanism. Whilst a concrete quantitative study of its impacts on Viet Nam remains absent, discussion with experts so far yields several insights. *First,*



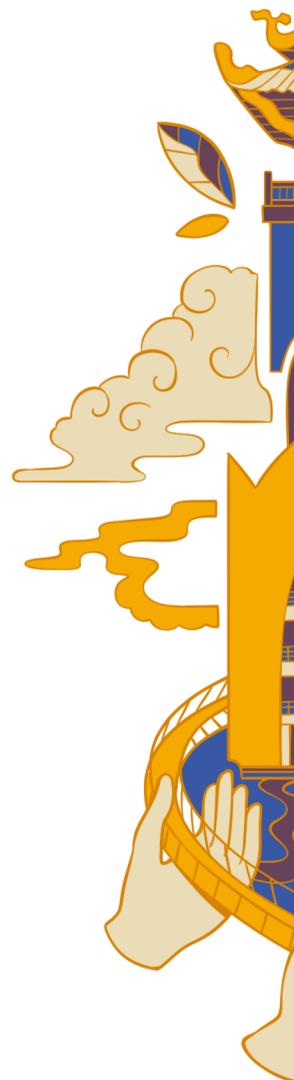
joining the global minimum tax mechanism is likely to increase tax revenues for Viet Nam, including from the foreign-invested enterprises that provide digitally enabled services. *Second*, joining the global minimum tax mechanism may help Viet Nam in addressing practices of base erosion and profit shifting. *Third*, having fewer tax incentives also compels Viet Nam to improve the business environment significantly to ensure that it still appeals to foreign investors, especially those investing in innovative activities, such as digitally enabled services. *Finally*, joining the mechanism may enable Viet Nam to receive more technical assistance related to tax reforms, including those related to transactions in the digital environment.

3.2. Market-entry Conditions

Viet Nam may simplify market-entry conditions to ensure the participation of new players in markets with potentially significant digital transformation. Such a simplification may start with the ICT sector so that foreign investors may enhance their participation and share management expertise of specific activities. CIEM (2021b) also proposes the relaxation of foreign ownership limits in the banking sector so as to help the transfer of expertise to Vietnamese commercial banks, including in digital banking services. In addition, Viet Nam may establish a fairer and more equal business environment for businesses that join the digital economy. For instance, such a fair and equal environment will be enforced over the sharing economy model and traditional businesses and between domestic enterprises and foreign enterprises towards facilitating and assisting traditional enterprises in converting their business type. In this process, Viet Nam may make more use of competition assessment to check whether the draft regulations may affect market competition for digital goods and services.

Viet Nam may also seek to improve the responsibilities of platform providers. Such responsibility may be tied to handling complaints by users/consumers, the protection of personal data, and the provision of data upon request by government authorities. The extent to which Viet Nam may enforce compliance with such responsibilities may depend upon the political will, readiness, and actual progress in simplifying ex post dispute resolution, including via ODR. Without effective ODR, Viet Nam may revert more to the use of entry requirements on platform providers and service providers on digital platforms, etc. Viet Nam may further review and amend institutions for innovative start-up investment with a view to facilitating capital contribution, share purchases, and mergers and acquisitions of technology enterprises.

Specifically, Viet Nam will be progressive in establishing and improving regulatory frameworks for industries and sectors with new business models (e.g. e-commerce, sharing economy, financial technology, and digital banking technology, etc.). These efforts serve to ensure they are streamlined, encourage innovation, and are adaptable to the level of risks of each industry or business activity. Given the innovative and unprecedented nature of these new industries and business models, however, Viet Nam may need an approach that harmonises the need to quickly facilitate firm-level business activities and the evidentiary basis for policy consideration. In this regard, the country may popularise regulatory sandboxes for new business models to allow



for the pilot implementation of innovative products and services, and then gather the counterfactuals needed for developing countrywide policies.

In a parallel effort, Viet Nam may want to build its own capacity to master digital technology. Thus, the country may review and improve institutions or regulatory frameworks aiming towards encouraging domestic digital technology enterprises to invest in application development and research relevant to Industry 4.0 (IR4.0). A specific direction may be to use tax incentives and financial instruments as leverage for technological research and development and applications, etc.

3.3. Active Labour Market Policy (and Future of Work)

Viet Nam will build and assist in the development of the labour market by improving the effectiveness of policies and the system of legislative documents on labour market development and the enhancement of administrative reform to minimise the risks relevant to workers' benefits during IR4.0. Specifically, one line of effort would be to review and amend legislative documents on the labour demand–supply relationship, matching of labour demand and supply according to the labour market rules, international conventions and standards recognised by Viet Nam, and lawful and justifiable interests of workers and employers. Viet Nam will also develop a mechanism and execute programmes and schemes for assistance in job creation and participation in the labour market for special groups (disabled people, ethnic minorities, rural workers, and new graduates from universities and vocational education institutions). In this regard, the use of digital technology for collecting and processing labour-related data on a real-time basis may be enabled in the future.

Viet Nam will also improve the supply of labour skills for the new development context. The Ministry of Planning and Investment (2023), in their submission to the Prime Minister, identifies the need to upgrade labour productivity, including via developing skills for the digital economy. In doing so, the country will continue to design basic and advanced vocational training programmes according to standards of vocational skills; apply digital technologies; and study the formulation of policies on assistance in the provision of basic and advanced training for special groups of workers. In addition, Viet Nam will encourage the frequent and flexible provision of short-term training courses in digital skills for workers. It will also study and formulate policies to attract talent, especially policies on housing, salaries, and living and working conditions in order to attract and retain high-level experts, scientists, and managers. Finally, Viet Nam may encourage enterprises, enterprise associations, and professional associations to participate in the process of innovation and the improvement of education and vocational training quality in order to meet the demand of the labour market.

3.4. Cybersecurity and Data Privacy Policy

Viet Nam will continue to build capacity for cybersecurity. The Cybersecurity Law will remain in effect. There may be debates regarding the provision under the Law that requires data localisation. It may be probable that the authorities will be more open to hearing the views of business stakeholders about the need to revise such a provision under the Law. Nevertheless, Viet Nam may indeed focus more on building technical capacity to prevent and handle cybersecurity attacks. In doing so, Viet Nam may deepen collaboration. In fact, the Japan International Cooperation Agency (JICA) has already set a good example via the 'Project on Capacity Building for Cyber Security in Viet Nam',

which was implemented during June 2019–June 2022 and helped significantly improve the capacity of trainees and develop awareness materials on cybersecurity in Viet Nam (JICA, 2022).

In addition, Viet Nam may continue to strengthen data privacy rules and protection. Regulations on personal data protection may be issued and improved to ensure appropriate enforcement. However, Viet Nam may not necessarily employ a model of restrictive requirements for personal data protection like those seen in advanced countries (such as the European Union), as lessons from the COVID-19 period showed that having people forgo part of their personal data rights can help trace infections and eventually bring greater good for society.

Viet Nam is yet to consider the use of data privacy protection as a standard related to cross-border trade and investment. Another question would be whether Viet Nam may join some group of economies to promote the mutual recognition of such standards, thereby enabling the smoother operations of big tech corporations. An example of such a group is the APEC Cross Border Privacy Rules – a voluntary mechanism. Again, as Viet Nam has not considered such standards for use in regulating cross-border trade and investment, promoting mutual recognition may be an issue of lower priority.

3.5. Consumer Protection Policy

There may be two directions of efforts in Viet Nam's consumer protection policy. On the one hand, the country may revise regulations so as to provide a one-stop-shop model for consumer protection. This one-stop-shop model may receive complaints from consumers in all commercial transactions, whether physically or via digital platforms. This may come from the fact that the existing consumer protection framework involves too many agencies and organisations, which may lead to unclear separation of who will be leading the handling of consumer complaints. The regulations may also be elaborated further regarding the process, the requirements of evidentiary support, and basis for complaints, etc. for consumers when lodging their complaints.

On the other hand, Viet Nam may provide ODR to support consumer protection. As per the current Law on Consumer Protection, the consumer is defined to cover both individuals and buying entities. This definition may be retained in future versions of the law, which provides for a broad scope of customer protection and, thus, demand for ODR. The ODR platforms may undertake different forms of alternative dispute resolutions, including negotiation, mediation, and arbitration. In principle, such an online dispute resolution mechanism may work for both individual consumers and firms (as buyers) and for transactions conducted within Viet Nam or on a cross-border basis.

3.6. International Cooperation Framework

Viet Nam will continue to deepen its economic integration process. Existing tracks include the Association of Southeast Asian Nations (ASEAN), ASEAN-plus, World Trade Organization (WTO), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Under these frameworks, Viet Nam may deepen cooperation in the areas of digital data governance, e-commerce, consumer protection, paperless trading, IP protection, etc. At the same time, Viet Nam may seek technical assistance from partners, such as ASEAN or advanced CPTPP members, to build

legal and personnel capacity for the related areas. For example, Viet Nam may benefit from the technical assistance of Japan on issues related to ODR, cybersecurity, and competition policy in digital platforms.

At the same time, Viet Nam may be open to considering new international initiatives, such as the Indo-Pacific Economic Framework, or collaborating with appropriate countries on a bilateral basis. Such initiatives may cover relatively newer issues, such as digital economy partnerships and digital connectivity to support supply chain connectivity and resilience, etc. For these initiatives, Viet Nam may be open to joining, but the decision to participate and implement should be on a case-by-case basis. Learning from past experiences, should Viet Nam decide to join any initiative of this type, the initiative must incorporate development cooperation that enables capacity building for stakeholders in Viet Nam.

Viet Nam may also work with partners to harmonise the standards/requirements related to these new innovation-related areas. This is a crucial part as unlike tariffs, regulatory requirements related to digital and innovation-related sectors can hardly be applied to only some specific partners. Failure to harmonise the standards will imply that Viet Nam either has to pursue unilateral liberalisation or make agreement-based commitments at a minimal level.

4. Conclusions and Recommendations

This chapter aims to discuss the potential of digital transformation-related businesses in Viet Nam by 2045. Viet Nam has an established presence of various digitally enabled businesses, such as sharing economy, e-commerce, and e-tourism, etc. Still, Viet Nam needs to address key issues, such as its inadequate legal framework for innovation and technological progress; shortage of human resources on digital technology and business models; modest fiscal space for supporting innovation; lack of concrete regulatory tools to develop good policies for enabling digital businesses; and unmatched attention on consumer protection. The chapter also projects future policy changes related to the development of digital businesses, covering tax policy, market entry conditions, active labour market policy, cybersecurity and data privacy, consumer protection, and international cooperation.

Viet Nam needs to consider the below recommendations.

First, Viet Nam needs to improve coordination across government agencies. This requires improving the sharing of data across government agencies and expediting the process of consultation/providing comments by government



agencies on draft regulations related to digital data governance. Viet Nam also needs to coordinate the work of government agencies with donors to avoid the duplication of funding and/or to improve the efficiency of funds.

Second, Viet Nam should further review and amend (where necessary) the technical standards/specifications related to information technology products, telecommunication infrastructures, the interoperability and portability of data, electronic identity and authentication, and the traceability of products in e-commerce, etc. Viet Nam should also promptly issue regulations on data that cover data classification. At the same time, Viet Nam should review and amend (where necessary) the technical specifications of data shared across agencies.

Third, Viet Nam needs to establish more fundamental laws to support the digital transformation of economic sectors. These include the drafting and enforcement of the amended Law on Electronic Transactions, the Law on Digital Government, and the Law on Digital Technology Industry, etc. Regulations that facilitate and recognise the legitimacy of the operations of digital agents, such as chatbots, will also be essential.

Fourth, Viet Nam should conduct in-depth impact assessments of the Law on Cybersecurity as well as of regulations on data localisation for trade, investment, and exports by sector and by ownership. This will help propose recommendations to minimise the adverse impacts of regulations on cross-border data flows. In addition, Viet Nam should deepen efforts to study and develop an effective legal framework to protect data and privacy in cyberspace, with strict sanctions for any breach. Proposed regulations on data protection and privacy should be scientifically robust and harmonised to prevent raising unnecessary barriers to data flows and enable business operations in the digital area. To promote information dissemination and raise the awareness of the population and enterprises about information security and certification, the relevant risks, and prevention measures, and to improve functioning skills of using digital technology and the Internet to ensure e-transaction security. This knowledge and understandings, together with skills to safely and effectively explore and utilise Internet resources, should be integrated into high school informatics curricula to improve the awareness and skills of ICT amongst students.

Fifth, Viet Nam needs to enforce competition policy over digitally enabled businesses via simplifying regulations to create favourable conditions for enterprises in the production, provision, and application of digital technologies; improving regulations (including their enforcement) on customer protection towards a consumer-centred digital economy; and increasing the availability of statistical data on the digital economy to support competition assessment when formulating new regulations on the digital economy.

Finally, Viet Nam needs to develop human resources for digital transformation via formal programmes or the learning-by-doing approach. Viet Nam should also focus on reviewing regulations to make efforts (where necessary) to harmonise industrial relations and/or protect workers' rights in the digital platform. In the transformation to the digital economy, various industrial relations may need to be concretised in the regulatory framework, including partnerships and employer–employee relations.

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