

Comments of the International Center for Law & Economics

Law on Digital Transformation and the Future of Innovation in Vietnam

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We thank the Ministry of Science and Technology of the Socialist Republic of Vietnam for this opportunity to comment on the Law on Digital Transformation and the future of innovation in Vietnam. The International Center for Law & Economics (ICLE) is a nonprofit, nonpartisan research centre that applies law & economics analysis to technology governance, competition, and consumer-protection policy. Our interest is to ensure that the Law on Digital Transformation advances consumer welfare and innovation through clear, predictable, and proportionate rules grounded in evidence and sound economics.

Vietnam has emerged as one of the most dynamic economies in Southeast Asia, powered by a tech-savvy population, rapid digitalization, an openness to global capital, and a regulatory environment that offers predictability and flexibility. The Law on Digital Transformation, however, threatens to disrupt this balance by creating a chilling effect on innovation that Vietnam can ill afford.

The Law on Digital Transformation’s prescriptive approach seeks to regulate digital markets before harms materialize—ignoring the crucial economic lesson that regulation is costly and should target demonstrable market failures. Vietnam’s existing competition law already provides robust tools to address anticompetitive conduct in both traditional and digital markets, including measures against cartels, abuse of dominance, and merger control. The bill would nonetheless erect a parallel regime focused narrowly on digital companies, introducing the very legal uncertainty that investors and innovators seek to avoid.

These risks are compounded when one considers that digital markets are characterized by dynamic competition—markets defined by innovation, iterative product development, and the constant creation of new consumer value. Companies like Apple, Google, Amazon, Netflix, and OpenAI all illustrate how new entrants can disrupt incumbents by identifying unmet consumer needs. In such markets, rigid, prescriptive rules risk freezing business models in place and stifling innovation.

In this respect, the proposed law’s blanket restrictions fail to distinguish between harmful and pro-competitive behaviour, undermining both incentives for innovation and long-term consumer welfare. The prohibitions on self-preferencing and tying, and the severe limitations on the use of consumer data—all practices that often benefit consumers—illustrate this risk. Each of these measures threatens to tilt the playing field against foreign investors, discourage innovation, and slow digital transformation. Restrictions on data collection, processing, and cross-border transfers, for example, could hinder the delivery of innovative services, disrupt existing business models, and raise compliance costs—all without a clear competitive justification.

Vietnam can look to Europe’s recent experience as a cautionary tale. The European Union’s Digital Markets Act (DMA), which seeks to curb the influence of so-called “gatekeepers,” illustrates the perils of heavy-handed digital regulation. Targeting successful U.S. tech firms while largely ignoring their pro-competitive contributions, the DMA’s restrictions have proven difficult to enforce and have already prompted Apple, Google, and Meta to defer deploying new AI innovations in Europe.

Meanwhile, Europe's broader economic performance lags that of the United States: private-sector investment is lower, productivity growth is slower, and the region has struggled to produce global technology champions. Replicating this model in Vietnam would risk importing regulatory inefficiency without delivering the promised benefits.

These concerns about the proposed law's substance are compounded by its procedural and institutional shortcomings. The EU expects to hire as many as 200 additional staff to implement the DMA. The similar Digital Markets, Competition and Consumer Act in the United Kingdom has required quadrupling its regulatory personnel. By contrast, Vietnam's competition authority is not a legislative body, and expanding its power to dictate broad market rules raises separation-of-powers issues. Moreover, there is currently no public-consultation period scheduled for the Law on Digital Transformation, which means affected companies could have little time to adjust to complex new obligations.

Ultimately, regulation should be a last resort—applied only where markets demonstrably fail and in a manner that preserves incentives for innovation. Vietnam has every reason to nurture its digital economy through targeted, agile measures rather than importing a regulatory experiment whose costs and unintended consequences are already evident elsewhere.

By focusing on a streamlined, evidence-based approach, Vietnam can maintain the openness and predictability that have fuelled its recent success, continue attracting foreign investment, and encourage the dynamic competition that drives innovation and long-term growth. The Law on Digital Transformation risks turning regulation into a blunt instrument, signalling that policymakers are reacting to perceived gaps rather than addressing actual harms.

In the rapidly evolving digital economy, flexibility and evidence-based enforcement of competition law will serve Vietnam far better. Preserving this approach is not only an economic imperative but also a strategic choice: innovation thrives where rules are clear, predictable, and proportionate—not where regulation chokes the very markets it seeks to protect.