ITIF | INFORMATION TECHNOLOGY & INNOVATION FOUNDATION
SCHUMPETER PROJECT ON COMPETITION POLICY

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His Excellency Tran Thanh Man
Chairman of the National Assembly of Vietnam

His Excellency Pham Minh Chinh
Prime Minister of Vietnam

cc:
The Committee of Science, Technology and Environment — The National Assembly of Vietnam
The National Authority of Digital Transformation — The Ministry of Science and Technology

Your Excellencies:

On behalf of the Information Technology and Innovation Foundation (ITIF), the world's top-ranked science and technology policy think tank, I appreciate the opportunity to respectfully submit this comment letter on Vietnam's proposed Law on Digital Transformation (Draft Law). While ITIF commends Vietnam's commitment to digital transformation as well as strengthening economic and technology ties with the United States, we are concerned that the Draft Law, if enacted, may inadvertently harm Vietnamese consumers, stifle digital innovation, and complicate bilateral trade relations between the United States and Vietnam to the detriment of both nations.

Vietnam's Draft Law embodies a form of *ex ante* regulation that would place considerable obligations and constraints on certain large digital firms. Specifically, the law would impose responsibilities upon large-scale and very large-scale digital platforms that include establishing processes to respond to user complaints, as well as obligations related to algorithmic transparency. Moreover, a series of additional responsibilities is contemplated for very large-scale digital platforms, such as annual reports to the Ministry of Science and Technology, along with an extensive number of behavioral restrictions like, for example, limitations on commonplace digital practices like self-preferencing.

Ex ante regulation of this kind should be a means to counteract digital market failures that cannot be addressed by enforcing Vietnam's existing competition laws. However, Vietnam's digital transformation is nascent and advancing—not a failed project. For example, in 2024, Vietnam's e-commerce market hit $25 billion—a 20 percent increase from the previous year—amounting to nearly a tenth of the nation's total retail



sales and services revenue.[1] Indeed, not only is Vietnam's digital sector rapidly growing, but a recent report projected that by 2040, artificial intelligence could add up to $130 billion to Vietnam's economy.[2]

Furthermore, Vietnam does not have an antiquated antitrust regime that has proved unable to police anticompetitive practices in digital markets. On the contrary, Vietnam has not only rather recently enacted a new and more rigorous competition law that includes additional liability for abuses of dominance but appears to have pursued relatively few investigations or enforcement actions in the digital space. As such, before pursuing heavy-handed and costly *ex ante* regulation, Vietnam should seek to first fully utilize its existing competition tools to investigate and, if appropriate, combat any anticompetitive conduct in the digital sphere.

In addition to being unnecessary to correct digital market failures, the Draft Law is likely to stifle the very competition and innovation it seeks to foster. In particular, the Draft Law appears to categorically ban very large-scale digital platforms from engaging in conduct that is often procompetitive. For instance, the Draft Law appears to proscribe self-preferencing, which is a ubiquitous practice in the digital economy that regularly benefits consumers with more integrated services. Similarly, the Draft Law seems to require large-scale digital platforms to open up their platforms to third-party rivals, which can enable free-riding and chill innovation.

Enforcement of the European Union's similarly structured Digital Markets Act (DMA) has only confirmed the harms that such *ex ante* digital regulation can bring. For example, with respect to self-preferencing, the DMA's requirement that Google de-integrate its search and maps services has not only led to a demonstrably worse user experience, but also diverted traffic away from what are often small businesses, like restaurants and hotels, and toward large intermediary competitors.[3] Similarly, due to interoperability requirements, Apple has had to delay rolling out new innovative features like Apple Intelligence and Live Translation for AirPods.[4]

In addition to these economic harms, the criteria that appear to define a very large-scale platform—having either a dominant position or an average monthly user count in Vietnam exceeding 10 percent of the total population—risk being applied in a way that, like the European Union's DMA, overwhelmingly burdens

[1] Vũ Khuê, "E-commerce exceeding $25 bln in 2024," *VnEconomy* (Jan. 8, 2025), https://en.vneconomy.vn/e-commerce-exceeding-25-bln-in-2024.htm.
[2] Vietnam News Agency (VNA), "AI to add 120–130 billion USD to Vietnam's economy by 2040: report," *VietnamPlus* (June 12, 2025), https://en.vietnamplus.vn/ai-to-add-120130-billion-usd-to-vietnams-economy-by-2040-report-post320887.vnp.
[3] Matthew Kilcoyne, "European Consumers Are Right to Complain About the DMA," ITIF (Sept. 19, 2025), https://itif.org/publications/2025/09/19/european-consumers-are-right-to-complain-about-the-dma/.
[4] Hadi Houalla and Hilal Aka, "Europe's Interoperability Push Undermines Western Tech Leadership," ITIF (Oct. 10, 2025), https://itif.org/publications/2025/10/10/europes-interoperability-push-undermines-western-tech-leadership/.

U.S. firms while leaving domestic and other foreign competitors comparatively untouched. As the Trump administration has made clear, regulations which target U.S. companies may be subject to heavy scrutiny and ultimately retaliatory measures that could overwhelmingly negate any perceived benefits from regulation.[5]

Indeed, to the extent it imposes heavy-handed obligations and requirements in a way that targets U.S. digital platforms, the primary impact of the Draft Law may be to tilt the playing field in favor of Chinese rivals (e.g., TikTok, Alibaba/Lazada, Tencent) rather than empower domestic Vietnamese players—contrary to Vietnam's goals of both fostering homegrown innovation and deepening its techno-economic partnership with the United States. The long-term consequences of these actions could be significant: lower investment by U.S. digital firms in Vietnam, a less dynamic Vietnamese digital ecosystem, and overall greater Chinese techno-economic dominance in Southeast Asia.

At bottom, *ex ante* digital regulation of the kind proposed in the Draft Law threatens to strain U.S.-Vietnam trade relations at the very time Vietnam is simultaneously seeking tariff relief and expanded U.S. market access. In fact, in view of its restrictions, the Draft Law may also both run counter to the spirit of Vietnam's recent course-correction on data policy and its corresponding commitments with the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP) to avoid unnecessary data localization requirements, as well as the prospective implementation of the ASEAN Digital Economy Framework Agreement (DEFA), whose objectives include a frictionless and innovative Southeast Asian digital economy.[6]

For these reasons, ITIF respectfully submits that Vietnam should reject the Draft Law. The nation's modernized *ex post* competition law framework already enables robust enforcement against genuinely anticompetitive conduct in the digital sphere, while the proposed the *ex ante* rules appear poised to dampen innovation, harm Vietnamese consumers, and create unnecessary tensions in U.S.-Vietnam relations.

Very truly yours,

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Information Technology and Innovation Foundation

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[5] Fact Sheet: President Donald J. Trump Issues Directive to Prevent the Unfair Exploitation of American Innovation, (The White House, Feb. 21, 2025), https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-issues-directive-to-prevent-the-unfair-exploitation-of-american-innovation/.
[6] ASEAN Secretariat, "Leaders' Statement on the Digital Economy Framework Agreement" (Jakarta, Sept. 5, 2023), https://asean.org/wp-content/uploads/2023/09/Leaders-Statement-DIGITAL-ECONOMY-FRAMEWORK-AGREEMENT.pdf.