



Digital economy in Vietnam today

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Abstract

Developing the digital economy is considered one of the important and necessary solutions to develop Vietnam in the context of the impact of the 4th Industrial Revolution. Over the past time, the Vietnamese government has had many guidelines and policies to encourage the development of the digital economy. As a result, the digital economy has made impressive developments, making Vietnam the leading digital economy in the region. However, besides the achieved results, many issues are raised in the development of the digital economy in Vietnam today. The article explores and analyzes the contents related to bottlenecks and basic impact factors in the implementation of the digital economy in Vietnam today; basic solutions for the development of the digital economy in Vietnam today.

Keywords: economy, digital economy, 4th industrial revolution, Vietnam

1. Introduction

The 4th Industrial Revolution has been bringing about many fundamental changes in the economy and society globally. The explosion and proliferation of the internet and digital technologies have brought many opportunities for young people to participate and connect in the digital economy, where market barriers are smaller, with many opportunities to access and share information, knowledge with communities that share the same interests and bring cooperation in production projects together. We can see that the digital economy has brought a lot of advantages to large companies and corporations around the globe. Specifically, large global enterprises are more or less related to digital platforms, and the digital economy (Google, Apple, Amazon, Microsoft, or Alibaba). The most prominent advantages of the digital economy include: e-commerce growth; promoting users to use the internet and the development of the system of digital economy goods and services. In addition to these three advantages, digital economy-oriented economic development also ensures transparency, it is necessary to understand that transparency is one of the strengths of the digital economy that is of particular interest to many countries in the world, thereby indirectly reducing the amount of corrupt money through transparent online activities, helping to better control the economy. Vietnam is considered one of the countries with a good speed of digital economic development in the ASEAN region with pretty good telecommunications infrastructure and information technology, wide coverage, and high user density. In the development process in Vietnam in recent years, the digital economy has made significant contributions to the integration of businesses into the global technology chain. In the digital economy, businesses are forced to renovate the traditional production and business process to an ecosystem model, linking production with trade and use, this will increase productivity as well as labor efficiency. The information and communication technology (ICT) platform is considered the core of digital transformation, considered the most important part of the core digital economy. The good development of this foundation will contribute to helping Vietnam overcome the middle-income trap and move forward with rapid and sustainable development.

2. Bottlenecks and basic impact factors in the implementation of the digital economy in Vietnam today

The digital economy is understood to be an economy that operates mainly based on digital technology, especially electronic transactions conducted through the Internet. The digital economy includes all sectors and economies (industry, agriculture, services; manufacturing, distribution, goods circulation, transportation, logistics, finance, and banking, etc.) to which digital technology is applied. According to author To Trung Thanh (2021) ^[5].

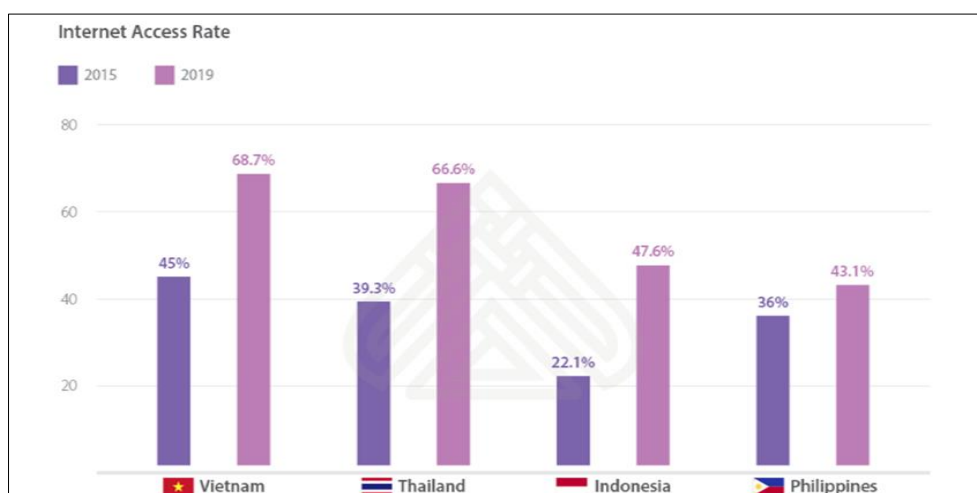
“The digital economy is the entire network of economic and social activities built and taking place on a digital basis. The digital economy includes all economic sectors (industry, agriculture, services, manufacturing, distribution, goods circulation, transportation, finance - banking, etc.) to which digital technology is applied” [5,12]. Author Tran Mai Uoc (2021) [8] said: “This special economy is made up of electronic transactions over the internet” [7, 48]. In essence, we can see that these are organizational models and modes of operation of the economy based on the application of digital technology. We can easily encounter daily the manifestations of digital technology appearing anywhere in life such as e-commerce sites, online advertising, or applications for food, transportation, and delivery... also, integrate digital technology to meet customers' needs. But on a more macro scale, the digital economy also makes significant contributions to the integration of Vietnamese enterprises into the global technology chain and creates great economic values to promote national development. The digital economy can be gathered in 3 main processing processes intertwined with each other including: Material processing; energy processing; information processing. In particular, it can be seen that information processing plays the most important role and is also the most easily digitized field.

The fourth industrial revolution opens up many opportunities, while also posing many challenges for each country, organization, and individual; has been impacting more and more strongly all areas of Vietnam's economic and social life. The National Digital Transformation Program to 2025 and orientation to 2030 have determined that Vietnam is among the top 50 countries in e-government, by 2025 the digital economy will account for 20% of GDP; the proportion of the digital economy in each industry and field will be at least

10%; by 2030, the digital economy will account for 30% of GDP; the proportion of the digital economy in each industry and field will be at least 20%. However, there are still bottlenecks:

Firstly, the awareness of the people and a part of state management officials about the benefits as well as opportunities and challenges of the digital economy for socio-economic development is still uneven at all levels and branches. Therefore, the synchronization of databases in the digital economy is fragmented and scattered, there is no connection between ministries, branches, and localities. In addition, the traditional shopping habits, psychology, and cash consumption tastes of the vast majority of consumers greatly affect the digital transformation process of enterprises. In particular, business behavior and consumption habits among urban people and rural, mountainous, remote, and ethnic minority areas still have large gaps, causing certain difficulties for enterprises to carry out synchronous digital transformation.

Secondly, the legal environment and institutions for digital economic development are still weak and not synchronous, so they have not fully exploited their potential for digital economic development. Typically, despite the rapid development of science and technology, with the outbreak of COVID-19, the development of the digital economy has created certain embarrassments for state management agencies in several issues, such as: Managing and collecting taxes on online commerce activities; ensuring the rights of workers and consumers through e-commerce; handling and resolving disputes and conflicts over activities and interests of subjects participating in business, commercial and civil activities in the digital environment.



Source: World bank

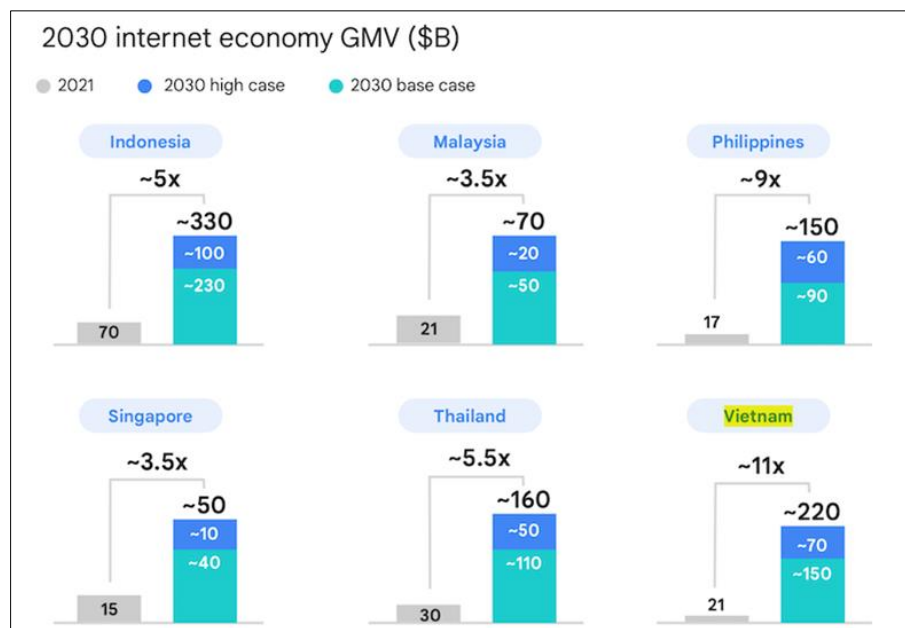
Fig 1: Asia briefing Ltd.

In addition, in Vietnam today, the digital economy developed in Vietnam is still mainly a trading platform and developed based on the existing innovative platforms of the world, the platforms developed by Vietnam are still limited, focusing mainly on e-commerce platforms, competitiveness compared to large commercial platforms of multinational corporations/companies is not really high. Besides, the level of actively participating in the development of business platforms in Vietnam is also weak and spontaneous. Regime and policy have many inadequacies. The structure and quality

of human resources have not met the requirements. In the first months of 2023, the development of the digital economy in Vietnam was also affected by factors such as: the stability of the commercial banking system in the face of rising bad debts and the recent instability in a commercial bank; the current situation of the corporate bond market, securities, and real estate and the level of influence on growth and financial security; the impact of anchoring the US dollar exchange rate on exports, imports, foreign exchange reserves; the current situation and ability to control inflation; causes and solutions

to overcome the decrease in the attraction of foreign direct investment; the impact on investment attraction when in 2023 countries are expected to apply the Global Minimum Tax

Rules and solutions to remove it; the decisions of the Vietnamese government to recover and develop the economy - commune association, macroeconomic stability.



Source: bain analysis

Fig 2: Temasek and Bain & Company

3. Basic solutions to develop the digital economy in Vietnam today

Firstly, to build and perfect the legal framework, mechanisms, and policies to create conditions to promote and support Vietnamese enterprises, especially small and medium enterprises to transform and develop in the digital economy. The State creates a favorable environment and promulgates mechanisms and policies to encourage enterprises to transform themselves into smart enterprises and start-up enterprises. Formulate and implement the National Strategy for the development of technology enterprises, giving priority to the development of digital technology enterprises and high-tech enterprises that design, create, and manufacture in Vietnam.

Secondly, accelerate the progress of digital transformation in industries and fields. Promoting the pioneering of information technology enterprises in research, development, and digital mastery; from there, promoting the brand throughout the country, region and expanding to the world market. It is necessary to focus on promoting the development of fields following the trend of digitization, such as: Automatic energy, transportation system; distance training, teaching management, and online learning; managing medical records, online treatment; remote agro-forestry-fishery management systems, digitally converted e-commerce... Research, improve, and digitally develop equipment and machinery to meet the demand for goods and services of the social community, promoting and supporting enterprises to deploy the manufacture, design, and improvement of services and goods instead of assembling and processing.

Thirdly, support to improve the capacity and competitiveness of Vietnamese enterprises, constantly focus on fostering, disseminating, and equipping Vietnamese businesspeople with the knowledge to meet the requirements of the digital economy and trends of the 4th Industrial Revolution, as well

as adapting to the integration into the world market in the new era. Continue to arouse the national spirit, ideals, and aspiration to bring the nation to prosperity, thereby arousing and motivating the startup culture of Vietnamese people, especially among the youth. It is necessary to encourage, create favorable conditions, and support enterprises to start up, innovate, improve techniques, production technology, train and foster human resources and entrepreneurs.

4. Conclusion

In the current context, the digital economy is identified as one of the three pillars of Vietnam's digital transformation including digital government, digital economy, and digital society. Developing the digital economy is one of the important tasks to achieve Vietnam's sustainable and inclusive development goals in the new context with the rapid development of science and technology, the profound influence of the spread of the 4th Industrial Revolution and the COVID-19 pandemic as a great shock to the global economy and the Vietnamese economy. The document of the 13th Party Congress has determined that by 2025 the digital economy will contribute 20% to GDP. By 2030, Vietnam will be among the top 50 countries in the world and third in ASEAN in terms of e-government and digital economy. These are big goals that require the efforts of all stakeholders. The development of the digital economy and digital society has become an inevitable trend for all countries. In the digital economy, digital technology is applied in production and business activities in all fields and industries. The development of the digital economy has created revolutionary changes, from manufacturing, and distribution to consumption. The digital economy plays an increasingly important role in increasing productivity, renewing growth models, restructuring the economy, and optimizing the economy for sustainable and inclusive growth and development. The complexity of the COVID-19 pandemic

further confirms the role of the digital economy in this process. The rapid development of the digital economy poses many new requirements in practice, leading to strong demands for changes in awareness and implementation. Compared with the traditional economy, besides undeniable advantages, and the development of the digital economy, digital society also has many new and unprecedented challenges and risks that force Vietnam to be aware of, change, and act concretely and decisively.

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