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The Role of the State in Designing the Legal Environment for Digital Technology Enterprises in Vietnam

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ABSTRACT: On June 14, 2025, the National Assembly passed the Digital Technology Industry Law 2025 (DTIL), the world's first law dedicated specifically to the digital technology industry, which will take effect on January 1, 2026 (with some investment incentives effective earlier, from July 1, 2025). The law establishes a policy framework for artificial intelligence (AI), semiconductors, digital assets, experimental sandboxes, tax and land incentives, and human resource development. On June 26, 2025, the National Assembly further adopted the Personal Data Protection Law 2025 (PDPL), effective from January 1, 2026, elevating data protection standards from decree level to law, while introducing mechanisms for impact assessment, 72-hour incident notification, and cross-border data transfer regulations. These two laws redefine the State's role shifting from "reactive regulation" to "proactive institutional design and risk-guided governance", thereby enhancing institutional certainty for digital technology enterprises. This paper updates the context, identifies implementation challenges (overlapping regulations, lack of detailed guidance, and enterprises' compliance capacity), and proposes a set of policy recommendations regarding inter-ministerial coordination, sandbox design, data AI digital asset standards, prioritization of "Make in Vietnam" public

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procurement, and sector-specific compliance roadmaps for the Personal Data Protection Law.

Keywords: *Role of the State, legal environment, digital technology enterprises, institutional design.*

I. INTRODUCTION

Since 2025, Vietnam's legal framework for the digital economy has entered a new phase with the promulgation of the Digital Technology Industry Law (DTIL) on June 14, 2025, and the Personal Data Protection Law (PDPL) on June 26, 2025.

The Digital Technology Industry Law establishes a comprehensive "policy ecosystem" that fosters innovation, the semiconductor industry, artificial intelligence (AI), digital assets, and experimental sandbox mechanisms. It also introduces significant incentives related to taxation, land use, and human resources for core technology projects.

Meanwhile, the Personal Data Protection Law elevates personal data protection standards to the legislative level, imposing stringent data governance requirements for digital enterprises.

In this context, enhancing the role of the State in shaping the legal environment for digital technology enterprises should be approached through the following logical dimensions:

i. Institutional creation and standard-setting,

ii. Risk-based management,

iii. Co-governance of data, AI, and digital assets, and

iv. Support for implementation and compliance.

II. RESEARCH CONTENT

1. The Role of Digital Technology Enterprises in Vietnam's Economic Development

Digital technology enterprises are business entities that operate on digital platforms, applying information and communication technology (ICT), big data, artificial

intelligence (AI), the Internet of Things (IoT), blockchain, and other advanced digital technologies across their entire processes of production, management, and service delivery.

Unlike traditional enterprises, digital technology enterprises take data as a core input, optimize operations through automation systems and real-time data analytics, personalize customer experiences, and continuously innovate their products and services based on technological platforms. These enterprises are characterized by rapid scalability, flexibility, and adaptability to market fluctuations thanks to a digitized and globally connected work environment.

In Vietnam, digital technology enterprises not only contribute to transforming the country's economic landscape but also play a pivotal role in the strategy for sustainable, modern, and globally integrated national development.

First, digital technology enterprises are the driving force of national digital transformation, playing a crucial role in promoting technology adoption across all sectors. With creativity, innovation, and the application of modern technologies such as AI, Big Data, and IoT, these enterprises help enhance productivity, optimize processes, and generate new value.

For instance, FPT Group has developed digital transformation platforms for various industries, assisting traditional enterprises in automating production and managing data effectively. As a result, Vietnam's digital economy is expanding rapidly, bringing the country closer to its goal of becoming a fully digital nation in the near future.

Second, digital technology enterprises stimulate economic growth and job creation. "As of the end of 2024, Vietnam had 73,788 digital technology enterprises—an increase of 10.1% compared to 2023—with nearly 1.26 million workers in the ICT sector…" [11].

"The total revenue of Vietnam's digital technology enterprises in 2024 reached approximately USD 158 billion" [11], while "post-tax profit was estimated at VND 272 trillion, contributing VND 43 trillion to the state budget" [11]. Major corporations such as Viettel, FPT, VNPT, VNG, MoMo, and Tiki, along with

emerging tech startups, have expanded beyond the domestic market to international arenas, thereby boosting export turnover, attracting investment, and improving the national trade balance.

“This demonstrates that digital technology enterprises are increasingly becoming the mainstay of Vietnam’s economy” [18].

Third, digital technology enterprises “not only enhance Vietnam’s domestic competitiveness but also expand opportunities for international cooperation, making a positive contribution to building a comprehensive digital economy” [12]. Their rapid development is propelling Vietnam’s shift from a resource- and labor-intensive economy to one based on knowledge, innovation, and technology. These enterprises invest in research and development (R&D), collaborate with universities and research institutes, and develop ‘Make in Vietnam’ products and solutions. Step by step, they are mastering core technologies, thus elevating Vietnam’s position on the global technology map.

Fourth, digital technology enterprises contribute to the development of digital infrastructure and the establishment of e-government.

Through providing technology platforms, management software, and data digitization solutions, these enterprises support the government in building modern, transparent, and efficient management systems.

This, in turn, improves the quality of public services, enhances the business environment, and promotes digital governance.

Finally, digital technology enterprises play a vital role in ensuring national cybersecurity and digital sovereignty.

In the digital era, data and cyberspace have become new forms of assets and territories requiring protection.

Vietnamese digital enterprises are increasingly demonstrating their capability in developing cybersecurity and data protection solutions, safeguarding personal and national data, and contributing to the preservation of national digital sovereignty and security in cyberspace.

igital Technology Industry Law defines digital assets and establishes principles for managing and regulating crypto-asset services, linked to cybersecurity and anti-money laundering/counter-terrorism financing (AML/CFT) obligations. Pending further decrees or circulars specifying classification, licensing, and safety standards, platform operators, custodians, and exchanges must proactively strengthen their legal, risk management, and technical capacity.

Fifth, tax and intellectual property (IP) policies in the digital environment remain difficult to implement.

Cross-border digital services, multi-sided platform models, and user-generated content (UGC) revenue often lead to disputes over permanent establishment, withholding tax, and e-invoicing obligations.

In the IP domain, issues related to software, data, AI models, and user interfaces require substantial digital evidence, time, and costs for enforcement. Furthermore, the question of copyright for AI-generated content introduces new interpretative and enforcement challenges.

Sixth, internal compliance capacity remains a critical bottleneck, particularly as regulations evolve from decree-level to statutory law.

Enterprises must establish comprehensive data governance frameworks covering the entire data lifecycle—classification, processing purposes, storage, and deletion. They must also maintain DPIA mechanisms, processing logs, data subject request protocols, and incident response plans, requiring cross-departmental coordination among product, engineering, legal, and security teams.

This represents a major challenge for SMEs and startups, which often lack sufficient resources, even as compliance verification requirements become increasingly detailed under the new legislation.

4. Solutions to Enhance the State's Role in Shaping the Legal Environment for Digital Technology Enterprises in Vietnam.

4.1. Perfecting the legal system along the lines of "legislating – standardizing – controlled experimentation"

In the context of a rapidly developing digital economy, improving the legal system is an urgent requirement to ensure a robust, transparent, and practice-aligned regulatory corridor. The State should proactively amend, supplement, and promulgate new normative legal documents so as to both facilitate the growth of digital technology enterprises and ensure effective governance while limiting emerging risks.

First, prioritize the swift promulgation of subordinate legislation and technical standards for the new pillars of the 2025 Digital Technology Industry Law (DTIL)—AI, semiconductors, digital assets, data centers—in order to avoid a "compliance lag." Decrees/circulars should soon clarify AI risk classification, business conditions for services related to tokenized assets, as well as cybersecurity and AML/CFT requirements in digital activities.

Second, harmonize terminology and scope across the Law on Electronic Transactions 2023, the DTIL 2025, and sectoral laws to ensure a consistent "digital transaction lifecycle": identification, e-signature/e-contracts, storage, and digital evidence.

Third, expand the sandbox mechanism on an inter-agency basis. Building on Decree No. 94/2025/NĐ-CP (the banking sandbox), pilot sandboxes in adjacent domains (AI-based credit scoring, data intermediaries, digital assets/tokenization) with clearly defined objectives, entry/exit criteria, risk thresholds, and "graduation" indicators to enable transition to commercial deployment.

Fourth, implement the DTIL's early-unlocked investment and financial incentives (with some in effect from July 1, 2025), linked to conditions on technology transfer, localization of R&D/testing, and human-resource development.

With a clear and stable legal corridor, enterprises can confidently invest and grow while seizing global opportunities—helping Vietnam become a leading digital-technology nation in the region.

In addition, the legal system should be adjusted toward flexibility and rapid responsiveness to market and technological change. Regulatory approaches should shift from ex-ante control to targeted ex-post supervision. This requires the law to "establish pilot mechanisms allowing enterprises to test new technologies under State oversight; and to provide liability safe harbors for organizations and individuals

when damage occurs during testing of new technologies or business models due to objective causes" [17, p. 5]. Furthermore, updating and revising existing legal documents must be done regularly, with feedback loops from the business community to ensure the law keeps pace with reality.

4.2. Strengthening State governance capacity: from "licensing" to "risk management & digital supervision"

Amid vigorous digital transformation, enhancing the State's governance capacity over digital-technology activities is essential to ensure the sustainable, well-oriented, and effective development of Vietnam's digital-enterprise ecosystem. The State not only sets direction and provides support but also serves as the coordinator and comprehensive supervisor across this field.

First, improve institutions, organizational structures, and mandates of State bodies responsible for digital-technology governance. Although policies, decrees, and guidance exist, they still lack coherence and consistency and do not fully cover the realities of digital-enterprise development. A holistic, transparent, flexible legal framework with high adaptability to rapid technological change is needed. In parallel, streamline the administrative apparatus to avoid overlap among ministries, sectors, and levels of government, and clearly delineate central–local powers and responsibilities.

Additionally, upgrading the professional and technical capacity of civil servants is crucial. Regulators need deep knowledge of digital technologies, especially emerging trends such as AI, big data, blockchain, information security, and the digital economy. At the same time, intensify the application of information technology to management, supervision, statistics, and data analytics to raise effectiveness and minimize errors in law enforcement. Digitizing managerial processes will enhance transparency, reduce administrative procedures, and make it easier for digital technology enterprises to access State policies and laws.

4.3. Enhancing dialogue, consultation, and public–private cooperation in policymaking

To build a legal environment that is suitable, flexible, and aligned with the development of digital technology enterprises, one key solution is to strengthen dialogue, consultation, and public–private cooperation throughout policy formulation and implementation. This not only promotes transparency and democratic governance but also grounds policy in practical needs, characteristics, and trends of the digital economy.

First, deeper dialogue between regulators and digital enterprises helps both sides better understand each other's goals, challenges, and practical needs. Policies not designed with direct feedback from the regulated community risk becoming detached from reality and stifling innovation. Regular forums, workshops, and roundtables between ministries and digital enterprises are thus essential for two-way information exchange and higher-quality policymaking.

Second, substantive and systematic consultation with businesses must be an indispensable step in the policy cycle. Consultation should go beyond request-for-comments documents to include flexible mechanisms such as joint task forces, expert advisory groups from industry, and online platforms to gather and analyze feedback. This helps regulators detect implementation bottlenecks early and fosters trust and consensus among businesses—especially fast-moving digital firms that need consistent State partnership.

Third, public–private cooperation should be elevated from consultation to strategic coordination. In the digital economy, technology firms are not merely subjects of regulation; they are co-creators of policy. Establish policy councils that include industry representatives; promote PPP initiatives in data governance, digital-infrastructure development, and regulatory sandboxes for new technologies. These measures will enhance the practicality, feasibility, and effectiveness of the legal system.

4.4. Accelerating the digitization of State management and building digital government

In a world undergoing rapid digital transformation, accelerating the digitization of State management and building digital government is both an objective necessity and

a key solution to strengthen the State's orienting, enabling, and supportive role for digital technology enterprises. A modern, transparent, efficient, and agile public administration is the foundation for innovation, enterprise development, and integration.

First, complete information-technology infrastructure and national databases as the backbone of digitalized State management. Interoperable, connected digital infrastructure across agencies and localities will improve information exchange, data processing, and decision-making. Integrating national databases—on population, enterprises, land, finance, taxation, etc.—will form a digital ecosystem that supports management and administration. The State should prioritize investment in digital infrastructure, deploy shared platforms, ensure information security and cybersecurity, and create favorable conditions for digital enterprises to participate in, leverage, and build services atop national digital platforms.

Second, modernize governance methods by intensively applying digital technologies to decision-making and public service delivery. Transitioning from traditional administrative management to digital governance will reduce red tape, increase transparency, and save time and costs for both government and businesses. Regulators should expand the use of technologies such as AI, big data, and cloud computing for forecasting, policy design, and analysis of trends in emerging tech domains—thereby enabling timely adjustments and appropriate support policies.

4.5. Promoting international integration in law and technology

Given globalization and the surge of the digital economy, promoting international legal and technological integration is a core task to enhance State governance effectiveness and create favorable conditions for the sustainable development of digital technology enterprises in Vietnam. This is not only an objective requirement of development but also a strategic solution for Vietnam to proactively join global value chains and adapt flexibly to rapid technological change.

First, strengthen institutional capacity and align domestic law with international norms. The State should proactively review, amend, and supplement legal documents related to digital enterprises to ensure coherence, transparency, and compliance with

Vietnam's international commitments—especially within the WTO, CPTPP, EVFTA, and RCEP frameworks. Convergence with global legal standards will help Vietnamese firms meet market requirements more easily, join global value chains, and enhance competitiveness. In parallel, develop technical standards for security, data protection, IP, and e-commerce that are in step with regional and global technology benchmarks.

Second, deepen international cooperation in technology and law. The State should expand the conclusion and implementation of bilateral and multilateral agreements on technology transfer, personal data protection, cybersecurity, digital technical standards, and digital trade. Active participation in international digital-technology forums and organizations—such as the ITU, OECD, and the ASEAN Digital Economy Framework—will keep Vietnam abreast of new trends and cutting-edge policies and technologies. Through such cooperation, Vietnam can learn from advanced legal frameworks and thus improve domestic policy design and regulatory agility.

Third, develop human resources and raise legal awareness in the integration context. Effective international integration requires training personnel with deep knowledge of digital technology and international law especially among policymakers, regulators, and legal advisors. At the same time, expand programs to disseminate law on e-commerce, IP protection, personal data protection, and codes of conduct in cyberspace to the business community. This foundation enables digital enterprises to operate lawfully, confidently expand markets, cooperate internationally, and protect their legitimate rights in a competitive global environment.

III. CONCLUSION

In the accelerated digital transformation period, the role of the State is not only limited to perfecting regulations but also strongly shifting to institutional creation, risk management and compliance support. The policy axis formed from the Law on Digital Technology Industry 2025 and the Law on Personal Data Protection 2025, supported by the Data Law 2024 and the sandbox mechanism, has created a clearer framework for digital technology businesses. On that basis, the key goal is to ensure

legal predictability, reduce compliance costs and open up safe testing space for new business models.

To realize the goal, policy priorities need to focus on: promptly issuing sub-law documents and technical standards; synchronizing the legal framework between electronic transactions, data, cybersecurity and specialized laws; strengthening the specialized data protection agency with DPIA guidelines and a 72-hour violation notification mechanism; expanding the sandbox in an inter-sectoral direction with a "graduation" index; deploying national data infrastructure, connecting platform databases and a secure data sharing mechanism; establishing a regular dialogue, consultation and PPP mechanism; proactively integrating regional and international standards on digital economy and AI.

Several indicators can be put in place to ensure policy accountability: basic completion of guidance documents for new laws within 6–9 months; 100% of ministries and sectors issuing DPIA templates and data breach notification procedures; piloting at least 2–3 cross-sector sandboxes with quantitative assessments before scaling up. In parallel, a program to improve compliance capacity for small and medium-sized enterprises, ensuring that "compliance costs" do not become a barrier to innovation.

A stable, predictable and innovation-friendly legal environment will be the foundation for digital technology enterprises to develop sustainably, increase competitiveness and make practical contributions to the productivity growth of the economy. This is also the condition for Vietnam to move closer to the goal of becoming a digital nation, with a creative State, innovative enterprises and people with full protection of digital rights.

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