



Factors affecting the party's economic leadership in the context of digital transformation from 2020 up to now

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Abstract

In the context of the world entering a strong digital transformation era, the world economy in general and Vietnam in particular are witnessing profound changes in all fields. Digital transformation is not only an inevitable trend of development but also an important driving force to promote economic growth, improve national competitiveness and social governance efficiency. In response to that requirement, the Communist Party of Vietnam has soon recognized the importance of renewing economic leadership thinking and adapting to the digital age, considering this a task that is both urgent and long-term. From 2020 to now, the implementation of digital transformation has been identified by the Party as one of the key tasks in socio-economic development, clearly demonstrated in the Resolutions, Directives, and Conclusions of the Central Committee, especially Resolution No. 52-NQ/TW (2019) on a number of guidelines and policies to proactively participate in the Fourth Industrial Revolution and the National Digital Transformation Program to 2025, with a vision to 2030. Practice shows that this process not only poses many opportunities for the Party's leadership in the economic field but also presents new challenges in terms of leadership, management, and operation methods as well as the issue of ensuring national security and digital sovereignty.

The article mentions a number of factors affecting the Party's leadership of the economy in the context of digital transformation from 2020 to present, contributing to clarifying the scientific basis of the role, content and leadership methods of the Party towards the digital economy, on the other hand, helping to identify factors that have positive and negative impacts on that process, thereby proposing solutions to improve the Party's leadership capacity in new conditions.

Keywords: Influencing factors, economy, digital transformation

Introduction

Globalization trend

Since the Party and State issued policies related to digital transformation, they have encountered the COVID-19 pandemic, disrupting global supply chains and changing the way consumers approach the world. Trade tensions and conflicts between Russia and Ukraine and the Middle East continue to disrupt supply chains, forcing countries to restructure their economic strategies, shifting from comprehensive globalization to regionalization or near-shore globalization. However, globalization does not stop: the explosion of the digital economy, technologies such as artificial intelligence (AI), the Internet of Things (IoT), and 5G have promoted the spread of global platforms such as Amazon, Alibaba or TikTok, creating a digital market with cross-border e-commerce and cultural exchange through social networks that are expanding the scope of connection beyond physical barriers. As an open economy, the Party and State have taken advantage of this trend to increase exports, especially in the electronics and technology sectors, thanks to free trade agreements such as EVFTA or CPTPP. However, globalization also brings fierce competitive pressure from multinational corporations and dependence on foreign technology. Digital transformation, an inseparable part of modern globalization, has promoted the development of the digital economy in Vietnam, with industries such as e-commerce, fintech and online services growing rapidly. The Party has recognized the importance of digital transformation, demonstrated through Resolution 52-NQ/TW in 2019 and the Digital Economy Development Strategy to 2030, aiming to orient the economy to adapt to the new context. However, the Party's leadership in the

economic field also faces challenges due to deeper integration into the global economy, requiring the Party to balance economic openness and protection of national interests. Large technology companies such as Amazon, Google, Tencent or Alibaba, with their superior financial and data strength, have penetrated the Vietnamese market, putting pressure on domestic enterprises, which are mostly small and medium-sized. This poses a huge demand for building policies to support domestic enterprises, while controlling cross-border data flows to protect economic security. As digital transformation changes the structure of labor and economic management, automation and artificial intelligence (AI) gradually replace traditional manual labor, seriously affecting the labor market, especially unskilled and unskilled labor facing the risk of unemployment, social structure, economic pressure, increasing social evils and the polarization of rich and poor, especially between urban and rural areas. Large cities such as Hanoi and Ho Chi Minh City benefit from the digital economy, while many other localities are left behind, challenging the Party's role in ensuring social justice - a core principle of ideology.

World economic trends

The global economic picture is being greatly influenced by geopolitical fluctuations, trade policies and shifts in sustainable development priorities, creating a world with many opportunities but also many challenges. The world economy, according to forecasts from major organizations such as the IMF and OECD, is expected to maintain stable but modest growth, fluctuating around 3.2-3.3% in 2025. The recovery comes from the gradual containment of global inflation - down from 5.8% in 2024 to about 4.3% in 2025

according to the IMF - allowing central banks such as the Fed or ECB to loosen monetary policy, bringing interest rates to lower levels such as 4.25-4.5% in the US or 2% in Europe. However, behind the appearance of stability are turbulent undercurrents: rising trade tensions under the current US president with tough tariff policies, the decline of growth momentum in China and the pressure from geopolitical conflicts in Eastern Europe and the Middle East. These factors not only reshape global supply chains but also promote the trend of geo-economic fragmentation where countries increasingly prioritize self-reliance and protection over borderless globalization. One of the prominent economic trends is the shift to green and sustainable economies, driven by the commitment to decarbonization and the continued increase in demand for renewable energy such as solar, wind and green hydrogen, especially in Europe and the US, as policies such as the US Inflation Reduction Act or the EU's REPowerEU boost clean energy production. At the same time, global trade is recovering slowly, and trade protectionism, especially from the US with high tariffs imposed on a number of countries, is creating risks for the free flow of trade. China, the world's second largest economy, faces restructuring pressure as it shifts from a production model to domestic consumption - a process that is not easy when the real estate market is still weak. Meanwhile, the US remains a bright spot with a forecast growth rate of 2-2.5%, thanks to strong consumer spending, although tariff policies can cause a domino reaction from major trading partners. For Vietnam, these global economic trends bring both opportunities and challenges. As an open economy, Vietnam is benefiting from the recovery of global trade and the shift of supply chains away from China. Exports of key products such as electronics, textiles and agricultural products are expected to continue to increase, especially when the US and EU remain large markets. Trade agreements such as EVFTA or RCEP help consolidate the position in the regional economic network, while FDI flows from Asia - especially from South Korea and Japan - increase sharply. However, the challenges are not small. The US tariff policy can drag Vietnam into the trade war spiral, especially if it is considered a "springboard" for Chinese goods to avoid tariffs. Moreover, the green economic trend requires Vietnam to invest heavily in renewable energy and reform environmental policies, while infrastructure and human resources are not fully available. To take advantage of the opportunity, it is necessary to flexibly manage monetary policy, stabilize exchange rates, and invest heavily in digital infrastructure and STEM education to meet the demand for high-tech human resources. At the same time, reducing dependence on FDI from China, strengthening the linkage of domestic enterprises with the global supply chain, and developing supporting industries will be the key to avoiding risks from the trade war and maintaining growth momentum.

World trends in science and technology

The flow of science and technology in the world is witnessing revolutionary turning points, shaping the future of all fields from economics, health to the environment, and Vietnam, a country rising in the digital age, cannot stand outside these waves of innovation. Prominent trends such as artificial intelligence (AI), quantum technology, renewable energy, biotechnology, space technology, cyber security,

and the combination of the Internet of Things (IoT) and 5G are not just concepts on paper but have become real driving forces for global development. AI branches such as generative AI and machine learning have grown dramatically with thousands of inventions and scientific papers published in the period 2022-2023 alone. Meanwhile, quantum technology, as Capgemini is promoting the revolution of computing, opening up potential for pharmaceuticals and finance. Renewable energy is leading the global decarbonization effort, while biotechnology and space technology are opening up new horizons in personalized medicine and off-Earth manufacturing. For Vietnam, these trends are not only an opportunity to catch up with the world but also a challenge forcing the country to re-evaluate its internal capacity and long-term development strategy. Vietnam is taking advantage of these technology waves to promote digital transformation and improve its economic position. AI and IoT are becoming important tools to automate production processes, detect errors in real time and optimize supply chains. Large enterprises such as Viettel and FPT have applied AI to increase productivity, while IoT supports smart monitoring in logistics and agriculture. The Vietnam Global Innovation Connect Singapore 2025 event, focusing on semiconductors, AI and technology finance, demonstrates Vietnam's ambition to attract foreign investment and affirm its position on the global innovation map. Renewable energy also brings clear benefits, as solar and wind power projects not only meet emission reduction commitments but also attract billions of dollars from green investors. In addition, the development of 5G - with coverage reaching 98% by early 2025 - and international cooperation with Google (providing free educational tools) or Rosatom (in quantum technology) are opening the door for Vietnam to participate more deeply in the global technology network. In addition to golden opportunities, Vietnam also faces many challenges from global technology trends. One of the biggest problems is the dependence on imported technology. Core technologies such as 5G, AI or cloud computing are still partly dependent on foreign countries, making Vietnam vulnerable to international fluctuations and limiting its autonomy, especially in the context of fierce tax and trade competition today. Technology infrastructure, especially in rural areas, is still poor, hindering the synchronous deployment of solutions such as IoT or smart cities. Furthermore, highly skilled human resources in STEM fields - especially AI and cybersecurity - are in serious shortage. In addition, the rise of cybercrime puts great pressure on protecting digital infrastructure, especially when the digital economy is increasingly expanding. The legal framework, despite progress with the Cybersecurity Law and the Telecommunications Law, has not kept up with the pace of technological development.

Impact of the Fourth Industrial Revolution

The Fourth Industrial Revolution has opened up many potential opportunities, while posing significant challenges for countries, organizations and individuals, creating a profound and increasingly strong impact on all aspects of economic and social life. In recent times, the Party and the State of Vietnam have resolutely led and directed all levels and sectors to strengthen the application and development of science and technology, along with innovation, in order to improve the capacity to access and proactively participate in

the 4.0 Industrial Revolution. The Prime Minister has issued a directive on improving the capacity to access the 4.0 Industrial Revolution, and approved the Project to promote the sharing economic model. On that basis, ministries, sectors and localities have developed and implemented policies to promote the development of the information technology and electronics - telecommunications industry. Telecommunications infrastructure has been invested and developed relatively synchronously, creating a solid foundation for the formation and rapid development of the digital economy. The digital economy is increasingly affirming its important role in the national economic structure, with digital technology being effectively applied in the fields of industry, agriculture and services. The emergence of new business and service models, of a transnational nature, based on digital technology and the Internet, it has created many job opportunities, increased income, brought convenience and improved the quality of life for people. At the same time, the process of building e-government, towards digital government, has been strongly implemented and achieved initial positive results, creating a premise for sustainable development and modernization of state management in the context of the Fourth Industrial Revolution.

However, Vietnam's proactive participation in the Fourth Industrial Revolution is still limited. The institutional and policy systems still have many shortcomings and have not fully met development requirements. The structure and quality of human resources are not enough to meet practical needs. Science, technology and innovation have not really become the core driving force for socio-economic development; the national innovation system, although initially formed, still lacks synchronization and efficiency. The national digital transformation process is slow and lacks initiative, partly due to the limited infrastructure supporting digital transformation; at the same time, many businesses are passive, with weak capacity to access, apply and develop modern technology. The scale of the digital economy is still small, not commensurate with its potential. The fight against crime and ensuring cyber security are also facing many significant challenges. In the context of the 4th Industrial Revolution bringing about remarkable achievements in science and technology, especially digital technology, which is profoundly changing the methods of production, organization and social life, creating conditions for breakthrough development of many enterprises, fields and countries, this is a great opportunity for Vietnam to accelerate the industrialization and modernization process. The document of the 13th National Congress of the Party has determined: "Building a state administration that serves the people, is democratic, rule of law, professional, modern, clean, strong, public and transparent. Continue to innovate the organization and operation of the Government towards streamlining, effectiveness and efficiency" [1, tr.176]. To successfully implement this directive, reforming the Party's administrative apparatus, adapting to the national digital transformation process and the development of science and technology, plays a core role. Digital technology, with a level of advancement far surpassing information technology, integrates achievements such as cloud computing artificial intelligence, big data and blockchain, allowing the conversion of all information and data into electronic form, digitization, storage and transmission with larger capacity, and faster and more efficient processing.

The report on socio-economic development strategy for the 2021-2030 period emphasizes the need to innovate development thinking, change working methods and lifestyles, promote institutional reform, apply scientific and technological advances and innovation, and drastically implement digital transformation to build a digital economy and digital society. The political report at the 13th National Party Congress set out 12 orientations for national development for the 2021-2030 period, identifying strategic goals and solutions to meet the requirements of sustainable development in the new context. In particular, the second orientation determines: "Ensuring macroeconomic stability, strongly innovating the growth model, restructuring the economy, promoting industrialization and modernization of the country... Promoting national digital transformation, developing the digital economy on the basis of science - technology and innovation; improving productivity, quality, efficiency and competitiveness of the economy" [1, tr.114]. The third orientation defines: "Promoting research, transfer, and strong application of achievements of the Fourth Industrial Revolution in all areas of social life, focusing on a number of key industries and fields with potential and advantages to serve as growth drivers in the spirit of catching up, progressing together, and surpassing in a number of areas compared to the region and the world" [1, tr.115].

Domestic influencing factors

For developing countries like Vietnam, digital transformation is not only an inevitable trend in the new era but also a strategic opportunity to overcome challenges and shape the future. If Vietnam makes good use of the advantages brought by digital transformation, the country can narrow the development gap with advanced countries, even make great strides in the region and the world. Exploiting the potential of digital transformation helps Vietnam avoid the risk of falling behind, opening up new prospects in economic and social development. Digital transformation is playing an important role in creating development momentum, bringing new resources such as big data, artificial intelligence, and automation technology. These factors not only help increase labor productivity but also promote innovative thinking. Digital transformation has been laying the foundation for the formation of breakthroughs in promoting industrialization and modernization. Specifically, it allows Vietnam to participate more deeply in global value chains, produce high-tech products and position itself as a strategic partner in the digital economy. Digital transformation also brings great opportunities for workers. Through digital platforms, workers can expand markets, minimize barriers in space and time, and enhance the ability to cooperate and connect not only domestically but also globally. This is an important driving force to help localities, especially rural and remote areas, access international markets, contributing to narrowing the development gap between regions. In particular, the development of the digital economy also promotes business activities associated with ecological environment protection, creating the premise for a sustainable development model.

However, along with great opportunities, a part of the workforce will have to face the need to quickly adapt to new technologies, adjust working skills, or even change jobs. For those who cannot meet the increasing demands of the labor

market, the risk of job loss is real. This raises the issue of labor inequality and the urgent need for training and retraining policies to ensure that all workers have the opportunity to participate in the digital economy. According to the report of the General Statistics Office, the gross domestic product (GDP) in the third quarter of 2024 is estimated to increase by 7.40% over the same period last year. Of which, the agriculture, forestry and fishery sector increased by 2.58%, contributing 4.08% to the total added value of the whole economy; the industry and construction sector increased by 9.11%, contributing 48.88%; The service sector increased by 7.51%, contributing 47.04%. Regarding GDP use in the third quarter of 2024, final consumption increased by 7.02% over the same period last year, contributing 59.78% to the overall growth rate of the economy; asset accumulation increased by 7.08%, contributing 39.03%; export of goods and services increased by 15.68%; import of goods and services increased by 15.84%; the difference between export and import of goods and services contributed 1.19%, GDP in the first nine months of 2024 is estimated to increase by 6.82% over the same period last year. Of which, the agriculture, forestry and fishery sector increased by 3.20%, contributing 5.37% to the total added value of the whole economy; the industry and construction sector increased by 8.19%, contributing 46.22%; Service sector increased by 6.95%, contributing 48.41%^[6].

Objectively, Vietnam has the potential for economic development in the context of digital transformation. Vietnam is recognized by the World Intellectual Property Organization (WIPO) as one of the 8 middle-income countries with the most improved rankings in the global innovation index (Global Innovation Index Report - GII 2024, Vietnam is ranked 44/133 countries and economies, up from 59th in 2016 and up 2 places compared to 2023). In 2024, Vietnam will have 3 leading indicators in the world: high-tech import, high-tech export and creative goods export; 3 indicators in the top 10 countries in the world: Labor productivity growth rate (ranked 3rd); number of smartphone applications created (ranked 7th); R&D expenditure covered by enterprises/total R&D expenditure (rank 9)^[3].

Faced with both objective and subjective impacts, the Party needs to innovate its leadership thinking and orient the socialist-oriented market economy to adapt to the digital era. The requirements are not only economic, but also ensure fairness, security and autonomy in a constantly changing world like today.

First, the Party needs to lead a strategy of technological self-reliance to reduce dependence on external resources. Objective impacts from globalization and digital transformation show that technology is the key to economic power. However, Vietnam is importing a lot of high technology from abroad, making the economy vulnerable to international fluctuations, such as supply chain disruptions during the pandemic or the US technology ban on China. Meanwhile, subjective limitations in domestic research and development (R&D) capacity further aggravate the problem. The Party needs to increase investment in innovation centers, encourage enterprises such as Viettel or FPT to develop indigenous technology, and expand cooperation with advanced countries such as Japan and South Korea to transfer technology. Resolution 52-NQ/TW in 2019 has laid the foundation, but needs to be implemented more

drastically to move Vietnam out of the "processing" position in the global value chain.

Second, it is necessary to build a modern legal and digital governance framework to protect economic security. The boom of the digital economy brings opportunities but also increases cybersecurity risks, especially when multinational corporations such as Amazon, Google or Tencent expand their influence in Vietnam. The cyber attacks in 2022-2023 are evidence of gaps in digital infrastructure, a subjective factor that needs to be overcome. On the international level, cross-border data flows and US-China technology competition require the Party to issue strict data control policies and improve its response capacity to cyber threats. Amending the Cybersecurity Law and developing regulations on personal data protection will help Vietnam integrate into the digital economy while protecting national interests and creating trust for investors and people.

Third, promote social equity to narrow the digital divide in the country. The impact of digital transformation has increased inequality, with a small number of businesses having access to technology, and large cities such as Hanoi and Ho Chi Minh City benefiting more than rural areas. Automation and AI threaten the jobs of unskilled workers, exacerbating the gap between rich and poor, a subjective challenge directly related to the Party's principles of social equity. The Party needs to implement large-scale digital skills training programs, prioritizing rural workers and vulnerable groups. Investing in internet infrastructure in remote areas is also a priority to ensure that everyone benefits from the digital economy, strengthening confidence in the socialist-oriented development model.

Fourth, flexibly adjust to geopolitical and trade fluctuations. Objective impacts from Russia-Ukraine tensions, Middle East instability, and US protectionist policies are disrupting global trade. Vietnam is vulnerable if it is considered a "springboard" for tax-evading goods. The Party needs to diversify export markets through agreements such as EVFTA, CPTPP and RCEP, while strengthening ties with the EU, Japan and ASEAN to reduce dependence on the US and China. Domestically, institutional reform and improved trade transparency will help Vietnam avoid international legal risks.

Conclude

In the context of widespread digital transformation taking place globally, the leadership of the Communist Party of Vietnam in the economic sector has clearly demonstrated its adaptability, innovative thinking and strategic vision. Since 2020, the Party has proactively planned, directed and implemented many important policies and strategies to promote the national digital transformation process, develop the digital economy associated with the goal of sustainable, equitable and autonomous growth. The achievements in GDP growth, attracting foreign investment, innovation and application of science and technology have demonstrated the effectiveness of that leadership.

However, the digital transformation process also poses many challenges to the Party's leadership, especially in ensuring technological autonomy, cyber security, balanced development between regions, and maintaining the socialist orientation in the modern market economy. To maintain its comprehensive leadership role, the Party needs to continue to innovate economic leadership methods, strengthen data-based policymaking capacity, improve transparency and the

ability to respond flexibly to global fluctuations. At the same time, it is necessary to develop high-quality human resources, invest heavily in research and development, and perfect the digital governance institutional framework to ensure the stability and sustainability of the national digital economy.

In short, digital transformation is both a strategic opportunity and a major test of the Party's leadership capacity and intelligence in the new period. Promoting the Party's central role in orienting and leading the digital economy not only contributes to realizing the aspiration to develop a prosperous and happy country, but also affirms the Party's leadership capacity in grasping the trends of the times, creating a future of independent development, autonomy and deep integration.

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