FOREIGN INVESTMENT IN VIETNAM'S BOOMING GAMING INDUSTRY: CHALLENGES AND SOLUTIONS

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Gaming in Vietnam is dynamic and is growing rapidly. Gaming attracts significant attention from foreign investors seeking to tap into Southeast Asia's booming digital economy.

The ingredients are all present--a young, tech-savvy population, increasing smartphone penetration, and supportive government policies. While Vietnam offers immense potential for growth, foreign investors have some regulatory hurdles, market access limitations, and operational challenges. This article explores the growth of Vietnam's gaming industry, the business model and the special solutions available to foreign investors.

The Scale and Potential of Vietnam's Gaming Industry

The global gaming industry is a powerhouse, with projected annual revenues reaching $212.4 billion in 2026, according to data from Vietnam's Ministry of Information and Communication (now Ministry of Science and Technology) ("**MOST**")[1]. Global mobile games are expected to account for 42% of this total. Leading markets such as China, the United States, and Japan continue to set the pace, but emerging economies like Vietnam are quickly gaining ground.

In 2023, Vietnam's domestic gaming industry generated over $507 million in revenue, supplemented by an additional $200 million from game exports[2]. With more than 54.6 million gamers--ranking fifth in Southeast Asia for mobile game revenue and third in the number of players--Vietnam is a key market in the region's gaming ecosystem[3]. Forecasts from Google suggest that in 2026, revenue from games and applications in Vietnam could reach $2.7 billion[4], driven by advances in technology, growing internet access, and a rising demand for digital entertainment.

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[1] See: https://laodong.vn/cong-nghe/tiem-nang-nganh-game-viet-nam-va-bai-toan-nguon-nhan-luc-1452804.ldo. Accessed on August 1, 2025.
[2] See: https://laodong.vn/cong-nghe/tiem-nang-nganh-game-viet-nam-va-bai-toan-nguon-nhan-luc-1452804.ldo. Accessed on August 1, 2025.
[3] See: https://laodong.vn/cong-nghe/tim-huong-di-de-thuc-day-nganh-game-viet-nam-1417344.ldo. Accessed on August 1, 2025.
[4] See: https://baodautu.vn/game-viet-nham-dich-ty-usd-d215501.html. Accessed on August 1, 2025.

The Vietnamese government recognizes this potential and has set ambitious goals to elevate the industry. The MOST aims to increase gaming industry revenue to $1 billion by 2030, positioning Vietnam as the third-largest gaming market in Southeast Asia[5].

Given the growth expectations, foreign investors have increased their exposure to Vietnam's gaming market.

Business Models for Foreign Investment in Vietnam's Gaming Industry

Foreign investors eyeing Vietnam's gaming market must navigate a regulatory framework shaped by Vietnam's international commitments, Vietnamese law and practical challenges. Below are key considerations and common business models to operate in Vietnam.

1. Market Access Limitations

Under Vietnam's WTO Commitments and the European Union - Vietnam Free Trade Agreement ("**EVFTA**") Commitments, a foreign investor can indeed invest in game publishing and distribution (ie, the electronics gaming business). It can do so through a business cooperation contract ("**BCC**"), or it can establish a joint venture company with a Vietnamese company which has already been duly licensed to conduct the gaming business. Foreign capital contribution to the joint venture may not exceed 49% of the charter capital. But there are solid workable ways to address this capital limitation. There are no such limitations for a BCC. The BCC model is generally common in Vietnam, even though the actual contract is not usually called a BCC. We will discuss a contract-based structure in Section 3 below.

Vietnam's commitments under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("**CPTPP**") are slightly less restrictive. Under the CPTPP, a foreign investor from a CPTPP member[6] can set up a joint venture with a licensed Vietnamese gaming company without limitations on foreign ownership.

However, the licensing authorities remain cautious even when applying the CPTPP. The application of CPTPP can require approval from central authorities—a process that can prolong the licensing process. In fact, large foreign-invested gaming companies in Vietnam typically do keep their foreign ownership ratio below 49%.

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[5] See: https://baotintuc.vn/doanh-nghiep-doanh-nhan/nganh-cong-nghiep-game-viet-nam-huong-toi-doanh-thu-1-ty-usd-20240514111352631.htm. Accessed on August 1, 2025.

[6] Including Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

2. Sub-Licensing and Regulatory Hurdles

Vietnam classifies games into four categories with distinct regulatory requirements:

(i) G1 games: Video games with interactions among players and through the game server;
(ii) G2 games: Video games with interactions only between players and the game server;
(iii) G3 games: Video games with interactions among players, but there are no interactions between players and the game server; and
(iv) G4 games: Video games downloaded through the internet but with no interactions among players and between players and the game server.

To publish G1 games, publishers must secure a general license for G1 game publishing and must obtain release approval for each specific G1 game. For G2, G3, and G4 games, publishers need only obtain a general certificate along with certain confirmations of service.

Securing these sub-licenses poses some hurdles. The process can be time-consuming.

Nevertheless, there are proven and legitimate ways to deal with the difficulties by using a compatable structure.

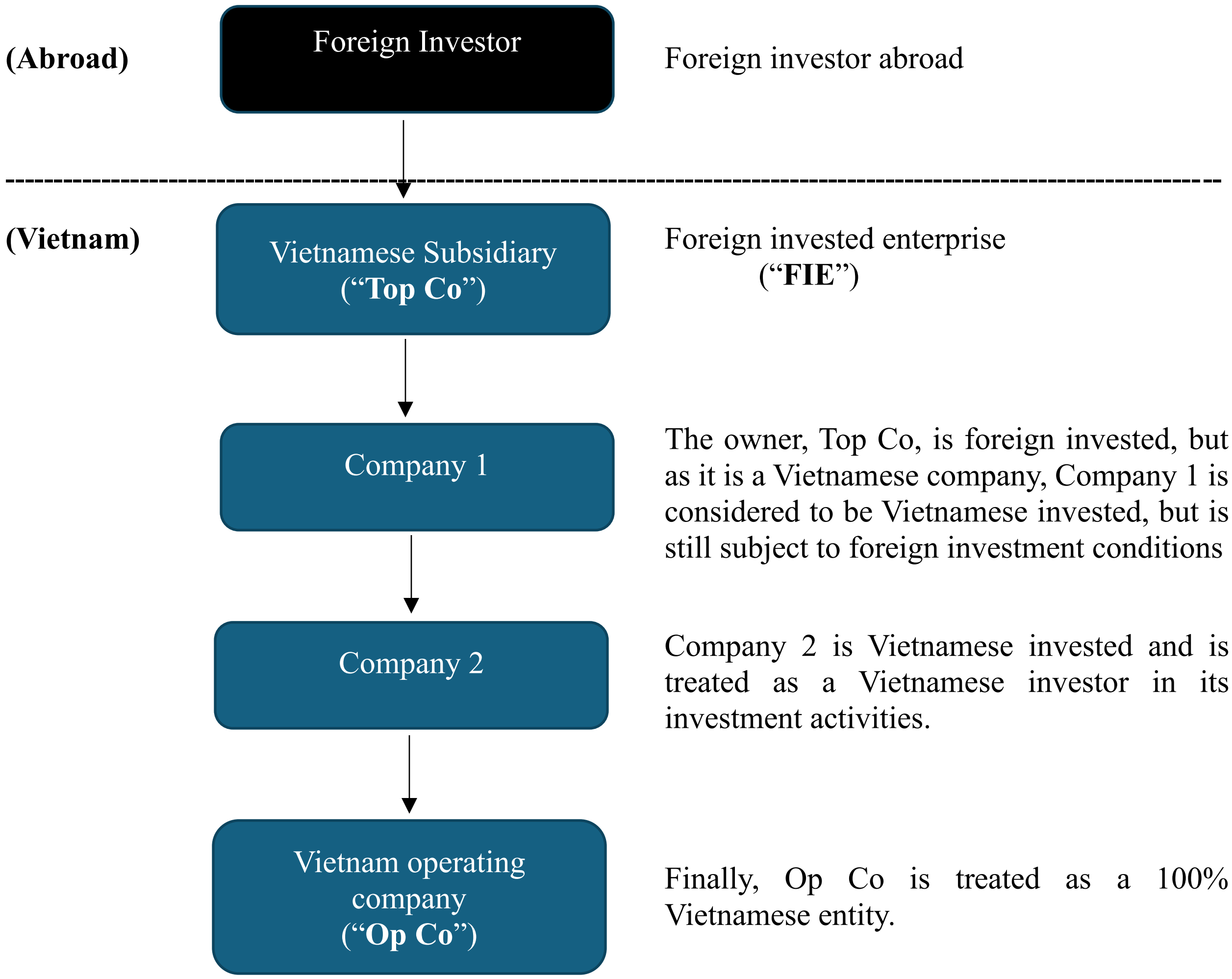
3. Common Business Structures

Foreign investors have adopted several strategies to operate within Vietnam's regulatory framework:

- **Direct Investment in Operating Companies**: Companies like VNG Corporation (47.93% foreign-owned[7]), Vietnam Esports and Entertainment Joint Stock Company (Garena) (30% foreign-owned[8]), and Funtap Joint Stock Company (18.89% foreign-owned[9]) exemplify this model. As discussed above, for new incorporations, foreign ownership is capped at 49%, with a Vietnamese partner holding 51%. This structure is more common in acquisition deals than greenfield investments.

- **Sandwich Structure**: Some investors use a layered ownership model to bypass the 49% limit that is part of Vietnam's Commitments to WTO. The layered ownership model is typically implemented as follows:

[7] Data as of August 1, 2025.
[8] Data as of August 1, 2025.
[9] Data as of August 1, 2025.



The basic rule under the Law on Investment is that the "third generation" subsidiary of a foreign investor incorporated in Vietnam (ie, Company 2) is considered a truly Vietnamese investor when it acquires shares of a company in Vietnam or when it incorporates a new subsidiary, and therefore is not limited by Vietnam's Commitments to WTO. Therefore, there is no foreign ownership limitation when Company 2 incorporates Op Co to operate in the gaming industry. Note, there is no intrinsic Vietnamese shareholding or ownership. It is the layers of ownership that create a Vietnamese company in Op Co.

However, use of this structure in Vietnam's gaming industry is modest. The Vietnamese identity of Op Co is clear and overcomes the challenge of foreign ownership, but it is seen to be slightly cumbersome and may be challenged by relevant authorities.

- **Contracts with Licensed Providers**: This is a popular workaround. An offshore company or a foreign-invested Vietnamese entity is registered to provide management consulting or IT services. It holds the intellectual property rights to a game and licenses them to a

Vietnamese publisher. Notable examples include Riot Games, which collaborates with VNG Corporation for *League of Legends*; Timi Studio Group (a subsidiary of Tencent), which works with Vietnam Esports and Entertainment Joint Stock Company (Garena) for *Arena of Valor*; and LightSpeed Studios (a subsidiary of Tencent), which partners with VNG Corporation for *PUBG Mobile*. This model allows foreign developers to maintain control over their intellectual property while leveraging local expertise and working with a licensed party to distribute the game.

- **Non-Compliance Approach**: Some global giants, such as Valve (*Dota 2*, *Counter-Strike: Global Offensive*, *Counter-Strike 2*), Game Science Studio (*Black Myth: Wukong*), and Rockstar Games (*Grand Theft Auto* series), operate without formal licenses in Vietnam. The government has attempted to block access by banning internet protocol addresses, but Vietnamese players easily circumvent these restrictions using virtual private networks to access platforms like Steam or Epic Games Store. However, it remains unclear how serious the Vietnamese Government is about enforcing bans on non-compliant games. In the worst-case, these games could disappear from the Vietnamese market, resulting in significant losses to the developers—especially if Vietnam represents a substantial portion of their revenue. This approach highlights enforcement gaps in Vietnam's regulatory system.

Selection of the appropriate business structure is subject to several factors. Contracting with a licensed provider or using the multi-layered structure may provide a viable entry point for foreign developers. This may be best mainly for large game developers as their position in the contractual relationship will likely be strong enough to secure their involvement in Vietnam. Small and medium game developers, by contrast, may simply not comply even though this may result in their games being banned in Vietnam.

These hurdles are being addressed in different ways. Vietnam's gaming industry offers compelling opportunities for foreign investors. The country's large and growing gamer base, supportive government policies, and its strategic position in Southeast Asia make it an inevitable destination.