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Domestic Reevaluation is Needed Before Revitalizing Korea-Vietnam Smart City Cooperation

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On August 13, South Korea and Vietnam celebrated the completed construction of the Vietnam-Korea Cooperation Center for Smart City and Construction Technology (VKC) in Hanoi. The VKC is symbolic in that it represents renewed bilateral cooperation following the COVID-19 pandemic and because it has withstood a shift in South Korean administrations.

The center was initially conceived under former president Moon Jae-in in 2018 as a hub for mutual technological exchange and a public administration partnership in city planning. Since the inauguration of President Yoon Suk-yeol in 2022, the role of the VKC has shifted to showcasing South Korean smart city technologies to Vietnam for prospective economic opportunities.

In parallel, there has been a resurgence of South Korean private investment in Vietnam's smart city project since 2022. Just to name a few, Daewoo E&C established a smart city joint venture in Starlake City, Hanoi, in June 2022, Lotte resumed its 900 million USD Eco Smart City project in Ho Chi Minh City in July 2022, and Hyundai E&C embarked on its own smart green city project in Ha Nam province in August 2022.

Despite an expansion of smart city projects across Vietnam, South Korea has yet to deliver a comprehensive strategy and platform for managing these investments. A closer inspection of South Korea's smart city approach hence calls for heightened governmental efforts to monitor public-private cooperation between the two countries.

Previously, the Moon administration established the Presidential Committee on New Southern Policy (PCNSP) to increase communication and cooperation among Korean companies, governmental organizations, and academia on NSP projects, including smart city export and development in Vietnam. Although the Presidential Committee should not necessarily be revived, South Korea needs to enhance inter-ministerial communication and public-private cooperation by renewing and utilizing existing platforms such as the Smart City Special Committee and its Convergence Alliance with private enterprises.

Why Vietnam?

Under the "K-City Network" initiative, South Korea's Ministry of Land, Infrastructure and Transport (MOLIT) announced in 2020 that it would export South Korea's smart city model to a total of 11 countries, including Vietnam, Malaysia, Myanmar, Indonesia, Thailand, and Laos.

Yet Vietnam stands out as a primary target for South Korean investment. For one, the country itself is eager to pursue smart city development. In 2018, Vietnam unveiled its three-step roadmap for developing smart cities, with a vision toward 2030. In following the master plan, Vietnam will apply digital technology to its government and economy, offering solutions to its traffic, water, and environment management systems. Major cities such as Da Nang and Ho Chi Minh City have begun these efforts by creating legal frameworks for their development plans and launching e-government systems that would provide the basis for smart and sustainable cities.

With the smart city initiative as its backbone, the Vietnamese market has opened to more foreign investment, including from South Korea. In 2023, South Korea ramped up its official development assistance (ODA) to Vietnam, committing to a 200 million USD loan for the 2024-2027 period. According to a 2023 survey by the Korea International Trade Association (KITA), Vietnam was ranked by South Korean businesses as the second most coveted destination for investment, following the United States. South Korea also ranked first in foreign direct investment (FDI) to Vietnam on a cumulative basis from 1988 to 2023 with 82 billion USD, accounting for 18.2 percent of its total FDI portfolio. According to a 2024 survey by the Korea Chamber of Commerce and Industry (KCCI), both South Korean and Vietnam firms identify information technology (IT) and semiconductors as the most solicited sectors for economic cooperation.

Vietnam as a Double-Edged Sword

Vietnam harnesses advanced capabilities in technological development and a high potential for economic growth, which make it a viable partner. According to the 2020 Global Skills Index, Vietnam is rated second in the Asia-Pacific for its technological skills. Vietnam's smart city project presents South Korea with valuable opportunities, but there are also numerous challenges that lie ahead.

Due to its existing technology, some South Koreans worry that once Vietnam becomes self-capable of running smart cities, it will no longer require foreign assistance and consequently limit South Korean participation in the Vietnamese market. Smart city joint ventures are especially of top concern because they are a product of long-term exchanges in high-tech goods, services, and intellectual property, which is based on a foundation of mutual trust. Since smart city projects run on close collaboration between governments, private sectors, and academia, there needs to be a centralized mechanism for building trust among the various participants from both countries.

Another challenge that South Korea faces is the complicated nature of smart city cooperation in Vietnam. Vietnam's urban development is largely province-based, with 41 out of 63 provinces and cities developing individualized projects suited to their particular needs. For foreign entities, this often means individually entering competitive bidding for the procurement of different projects and investment opportunities. Therefore, governmental assistance is needed to regulate competition among South Korean corporations and to ensure a wider range of participation that extends beyond governmental bodies and well-known conglomerates.

Can South Korea Handle These Challenges?

Since the disintegration of the PCNSP in 2022, MOLIT has been overseeing South Korea's smart city policies and objectives as a central institution of the Smart City Special Committee—a sub-organization of the Presidential Committee on the Fourth Industrial Revolution (PCFIR) launched in 2017. The Special Committee, comprised of six government officials and 23 private experts, also runs a Convergence Alliance that coordinates among private enterprises such as corporate firms and research institutes. This closely resembles the VKC's function, although the VKC is predominantly a one-way exhibition of South Korean technology as opposed to a platform for Korea-Vietnam bilateral technology exchange and public-private partnerships.

Visibly, the Special Committee seems to be in operation. For instance, it provides updates on the MOLIT webpage regarding South Korea's involvement in the "K-City Network" initiative and the World Smart City Expo. However, apart from showcasing corporate members' latest innovations and participation in expositions, the Special Committee's Convergence Alliance has halted working-level meetings since August 2020.

Inter-ministerial communication is also lacking. The Smart City Special Committee is comprised of six ministries, but it is difficult to locate information on their individual or group involvement in smart city development projects apart from the general outlooks provided on the MOLIT platform. As such, the division of labor among these ministries and whether they hold regular group meetings also remain unclear. Currently, MOLIT is the only ministry to house an online channel for publicizing South Korea's smart city developments.

However, as private conglomerates such as Lotte, Daewoo, and Hyundai take greater hold of offshore smart city planning and infrastructure in Vietnam, South Korea will need a more organized governmental counterpart to manage such progress. Merely showcasing and "selling" South Korean technology to Vietnam will not be enough when discussing financial and legal arrangements with Vietnamese counterparts, who are increasingly deriving closer collaboration among central and provincial governments and the private sector.

Moving Forward

Overall, South Korea needs to work on increasing communication among the different public and private entities that are involved in smart city development in Vietnam. One of the first steps is to strengthen the Smart City Special Committee by archiving, updating, and publicizing information on both domestic and international smart city developments. More importantly, MOLIT should spearhead efforts on behalf of the Special Committee to resume regular working-level meetings with other governmental bodies and various private members of the Convergence Alliance, including conglomerates with ongoing projects in Vietnam. This will help manage domestic competition for offshore smart city investment projects and enable wider participation from small- to mid-size enterprises.

Above all, with a fortified Special Committee, South Korea will have a more uniform communication channel for enforcing trust-building mechanisms with Vietnam, especially when dealing with the exchange of high-tech smart city goods and services. On that front, it is worth expanding the VKC's role from a mere exhibition hall to a forum for Korea-Vietnam bilateral discussions on smart city cooperation. As a Korean establishment built on Vietnamese soil, it is not only symbolic of current South Korean smart city efforts in Vietnam but also provides a venue for bilateral public-private communication and on-site visits by members of the South Korean Smart City Special Committee.

As MOLIT Minister Park Sang-woo suggested, South Korea needs a "One Team Korea" between the government and private sector to increase its competitiveness and effectiveness in Vietnam. And with conglomerates resuming operations in Vietnam following the pandemic, it is not too late for the South Korean government to act.

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