

The Information
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Facebook and Google Balance Booming Business with Censorship Pressure in Vietnam

By Wayne Ma

When Facebook and Google want to strike ad deals in Vietnam, salespeople in Singapore get on a plane and fly to major cities like Ho Chi Minh City. They rent out rooms in five-star hotels for meetings with small retailers looking to sell around the world or big brands wanting to reach Vietnamese consumers. Vietnam is the most important market in Southeast Asia for both Google and Facebook, but neither company has any full-time employees stationed there.

That's because Vietnam is governed by an authoritarian communist regime that imposes strict censorship of online content such as social-media posts and user-generated videos critical of the government. While Facebook and Google comply with the government's requests for removing or restricting content, people stationed in the country would be vulnerable to pressure for information about the identity of users posting content, said people familiar with both businesses. According to these people, the companies worry that staffers could be arrested or the offices raided, and even route advertising fees through subsidiaries in Ireland and Singapore to avoid Vietnam's banking system.

Despite those difficulties, Vietnam has become the biggest country by revenue for Facebook and Google in Southeast Asia, according to people with direct knowledge of the matter. Unlike China, Vietnam doesn't have its own popular social network or search giant, and its consumers are heavy users of Google and Facebook. That has translated into big business. Last year, Facebook's revenue from Vietnam approached \$1 billion, which would be nearly one third of all revenue from Southeast Asia, a person close to Facebook with direct knowledge of the matter said. At one point, Vietnam was ranked No. 7 in the world for small- and medium-size business advertising at Facebook, the person said.

Google, meanwhile, generated \$475 million in Vietnam in the same period, said a person close to Google with direct knowledge of the figures. That was up 34% year-over-year, partly powered by large advertisers shifting their spending from TV to YouTube, according to people familiar with the matter.

Balancing business with political pressure is going to become tougher for Google and Facebook to pull off. Starting on Jan. 1, they'll have to comply with a new cybersecurity law that requires foreign internet companies to open local offices and store user data in Vietnam. Meanwhile, Vietnam's government is ramping up the pressure on the companies. It has started telling big domestic and foreign brands to stop advertising on YouTube, saying that Google manages content too loosely and that some videos are harmful and violate Vietnamese law, according to state media.

But giving in to the new law could create problems for the companies in the U.S. Their willingness to censor content has already been scrutinized. Last year, a bipartisan group of 17 members of Congress wrote a letter to the CEOs of Google and Facebook describing as troubling

reports that they've complied with censorship requests in Vietnam. Storing user data in Vietnam raises the prospect that the government could identify people posting anti-government content online. Earlier this year, Facebook CEO Mark Zuckerberg told U.S. lawmakers that the company would never store user data in countries with poor human-rights records.

How Google and Facebook deal with Vietnam could offer clues to how they will protect user privacy and handle calls for censorship in other authoritarian regimes around the world, many of which are in emerging markets.

A Facebook spokeswoman said that the company is committed to helping Vietnamese users connect safely and that it pushes back on government requests to censor local content when they are too broad. "Our process for responding to these requests is the same in Vietnam as it is around the world, and we let our community know when we've had to restrict access to their content for violating local law," she said.

A Large Market

Vietnam has developed a large startup scene and community of young entrepreneurs in recent years. The creator of viral hit mobile game Flappy Bird, for instance, is based in Vietnam. Good internet infrastructure and cheap, government-subsidized access to high-speed mobile networks have enabled 64 million people—more than two-thirds of the country's population—to go online, according to social-media consulting firm We Are Social, and websites operated by Google and Facebook are the top destinations for Vietnamese users.

In 2017, Facebook COO Sheryl Sandberg visited Vietnam to attend a summit of Asia's leaders in Da Nang. But she also wanted to understand why Vietnam, a country with less than half the population of Indonesia and less than one-twentieth of Singapore's gross domestic product per capita, was the fastest-growing country by revenue for Facebook in Southeast Asia, according to a person with direct knowledge of her visit.

Local colleagues told her Vietnam's revenue growth was partly fueled by small, cross-border e-commerce businesses such as "drop-shippers," which buy and ship products including T-shirts and smartphone cases to customers without ever holding the products as inventory. Drop-shippers prefer advertising on Facebook over Google because the social-media giant has more accurate profiles of consumers and can target them better, people familiar with the business said. Facebook has cultivated these drop-shippers for years by co-sponsoring regular marketing events in Vietnam that teach small businesses how to advertise and sell products online.

Google's revenue in Vietnam, meanwhile, is helped by YouTube, which has become wildly popular in the country. The average Vietnamese user spends more than 100 minutes a day watching YouTube, according to a person familiar with the matter, adding that the country's users were at one point ranked No. 1 for time spent on the service in the Asia-Pacific region.

Now there is a debate at both companies about whether to put boots on the ground. Some senior Facebook executives in Asia have been advocating for an office in Vietnam to continue its revenue growth, in a reversal of long-standing policies, according to two people familiar with the matter.

Meanwhile, last year Google Chief Legal Officer Kent Walker traveled to Vietnam to meet with government officials. He told them that Google was considering opening a representative office in the country, according to Vietnamese state media.

But having a local presence would increase pressure on the companies to store and hand over data on users suspected of anti-state activity. Facebook has no plans to open an office in Vietnam, said another person familiar with the company's current thinking.

While Facebook isn't exposed in the same way that Google is to large advertisers on YouTube, the social-media giant is still trying to expand its business in the country. And that means courting large advertisers that could one day be used as leverage against Facebook, one person familiar with the company's business in Vietnam said. Facebook has been looking for Singapore-based account managers to handle larger advertising clients in Vietnam, the person said.

Government Crackdown

The Vietnamese government launched a renewed crackdown on online pro-democracy groups and human-rights activists in 2017 that is still underway. Last month, for example, five Facebook users were jailed for posts that the government said were anti-state. Amnesty International previously said that 16 people had been arrested, detained or convicted this year for anti-government posts on Facebook.

The government has also stepped up efforts to censor content. Between January 2016 and June 2019, the Vietnamese government made nearly 250 requests for Google to remove or restrict more than 9,000 items, up from a handful of requests in prior years. Google complied with 77% of these requests, according to an analysis of its transparency reports. Two-thirds of the requests involved criticism of the government, the report showed. A person close to Google said that the company complies with Vietnamese law even though it doesn't have offices in the country, as executives don't want the site to be blocked.

Facebook restricted 1,600 items in the second half of 2018, up from 22 items in the same period in 2017, according to the company's transparency report. However, it only restricted 121 items in the first half of 2019. Facebook doesn't provide the percentage of requests it complies with, though it has restricted more than 2,000 items since July 2017. A person familiar with Facebook's thinking said that restricted items still remain available outside of Vietnam and that it restricts rather than removes content to minimize censorship.

"Facebook is facing a lot of pressure from the Vietnamese government," said Don Lei, internet freedom program manager at the Vietnam pro-democracy group Viet Tan. "They are slightly compromising on freedom of expression in Vietnam...we think they could do better."

Too Big to Block

Lei and others said that Facebook had been regularly blocked in Vietnam until 2011, and that while the government could ban the social network again, doing so would hurt employment and the economy due to the sheer number of businesses that rely on the service to sell and market products. A ban on Facebook and Google would also hurt Vietnam's reputation as a country friendly and open to foreign investment, the people say.

"For the government, it's simply about analyzing and managing the benefits versus the costs," said Eddie Thai, a partner at 500 Startups who helps manage a fund focused on Vietnam. "The benefits are not only tactical, like helping small business owners, but also strategic, like maintaining an international image of openness. The perceived costs are around potential dissent. As long as the benefits outweigh the costs, I think it's unlikely that the government would choose to ban these sites."

One way the Vietnamese government has been combatting the influence of Google and Facebook is by promoting its local social networks, which must comply with Vietnamese law. Vietnam government officials aim to get most of the population onto domestic social networks, including Lotus and Gazo, by the end of 2020.

The Takeaway

- Vietnam has become big market for Facebook and Google
- The companies don't have full-time staff in Vietnam
- New cybersecurity law requires local offices