

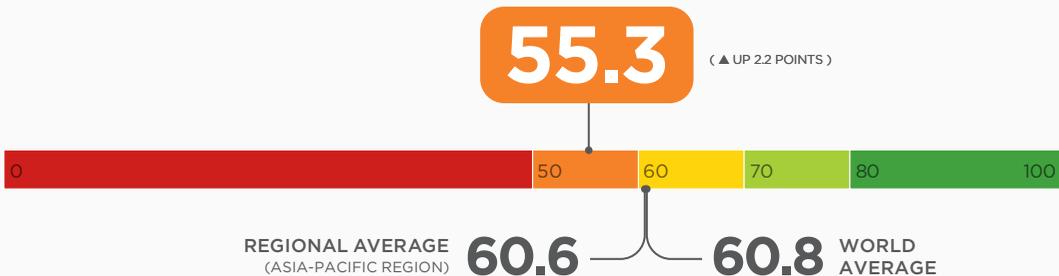
VIETNAM

Vietnam's economic freedom score is 55.3, making its economy the 128th freest in the 2019 *Index*. Its overall score has increased by 2.2 points, with a sharp increase in **fiscal health** and higher scores for **investment freedom** and **judicial effectiveness** outpacing a decline in **monetary freedom**. Vietnam is ranked 30th among 43 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

The economy expanded at a very fast rate in 2018 and will benefit from new global supply chains that evolve from ongoing U.S.-China trade tensions. To continue strong economic growth, Vietnam will need to reform state-owned enterprises, reduce red tape, increase business-sector transparency, and increase recognition of private property rights. Strengthening institutions to make the regulatory regime more efficient, shrinking the bloated and opaque bureaucracy and making it more transparent, and bolstering the weak judicial system would also promote economic freedom.

WORLD RANK: **128** REGIONAL RANK: **30**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

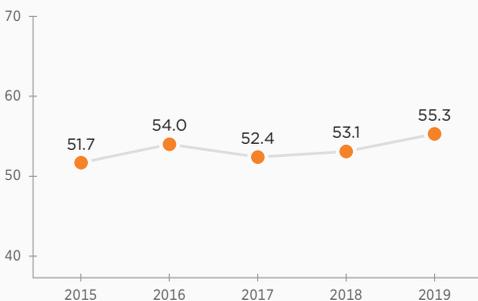


RELATIVE STRENGTHS:
Tax Burden and Trade Freedom

HISTORICAL INDEX SCORE CHANGE (SINCE 1995):
+13.6

CONCERNS:
Investment Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
93.6 million

GDP (PPP):
\$647.4 billion
6.8% growth in 2017
5-year compound annual growth 6.2%
\$6,913 per capita

UNEMPLOYMENT:
2.1%

INFLATION (CPI):
3.5%

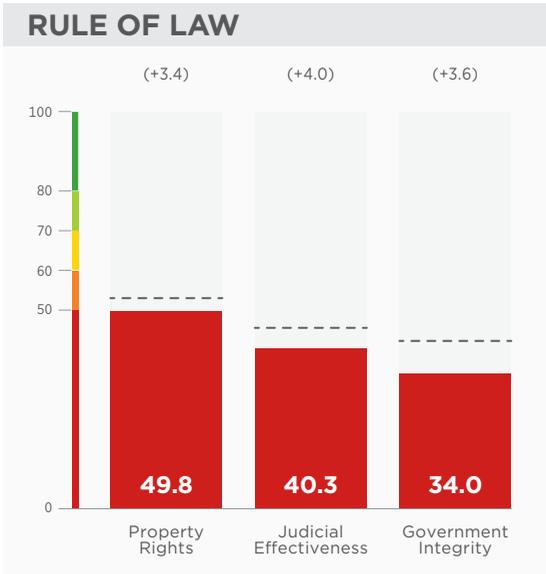
FDI INFLOW:
\$14.1 billion

PUBLIC DEBT:
58.2% of GDP

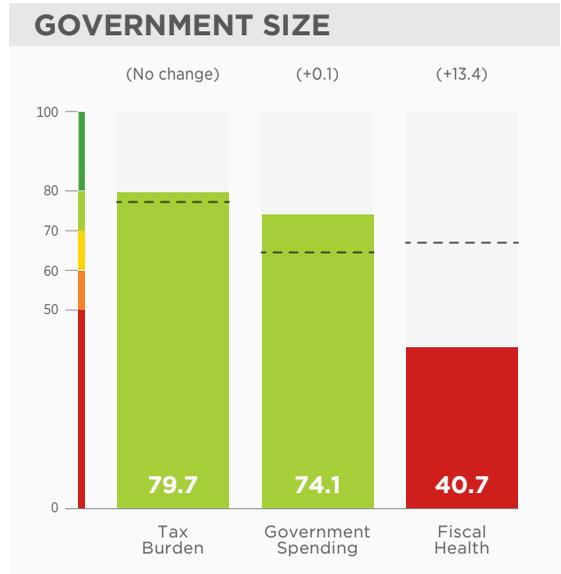
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: The Socialist Republic of Vietnam remains a Communist dictatorship characterized by repression of dissenting political views and the absence of civil liberties. Economic liberalization began in 1986 with *doi moi* (renovation) reforms to transition to a more industrial and market-based economy. Vietnam joined the World Trade Organization in 2007 and signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in 2018. Vietnam's economic growth, based on tourism and manufactured exports, was among the world's fastest during the decade-long tenure of former Prime Minister Nguyen Tan Dung. In 2016, Dung was forced out after losing election as General Secretary of the Communist Party of Vietnam. State-managed economic liberalization continues under the leadership of General Secretary Nguyen Phu Trong.

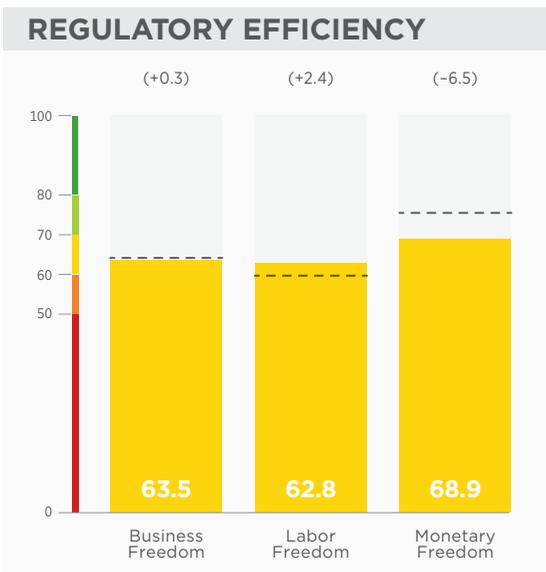
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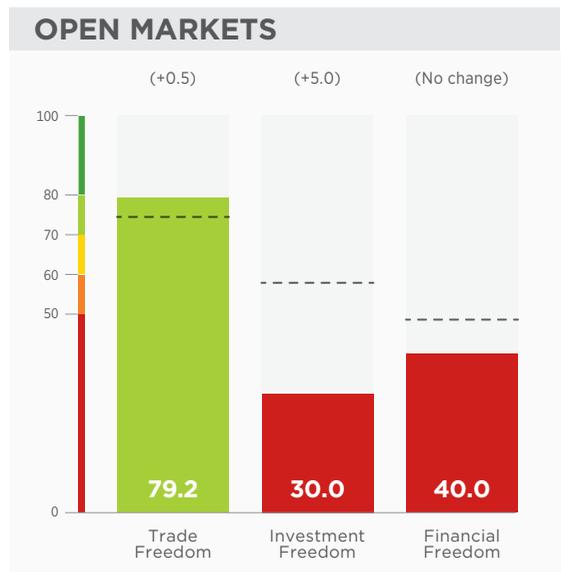
All land is collectively owned and managed by the state. Private property rights are not strongly respected, and those that exist are unevenly enforced. The underdeveloped judiciary is subordinate to the Communist Party of Vietnam (CPV), which controls the courts at all levels. Low pay and lack of accountability contribute to an environment that is conducive to bribery. Corruption and nepotism are rife within the CPV and state-owned companies.



The top personal income tax rate is 35 percent, and the top corporate tax rate is 22 percent. Other taxes include value-added and property taxes. The overall tax burden equals 18.0 percent of total domestic income. Over the past three years, government spending has amounted to 29.4 percent of the country's output (GDP), and budget deficits have averaged 5.7 percent of GDP. Public debt is equivalent to 58.2 percent of GDP.



Vietnam has been transforming itself into a more market-oriented economy. Administrative procedures have been streamlined, and the regulatory framework for smaller businesses has been improved. The labor market has become more flexible and dynamic. The government tightened price controls for air travel, energy, utilities, natural resources, pharmaceuticals, education, health care, and some housing in 2018 to fight inflation.



The combined value of exports and imports is equal to 200.3 percent of GDP. The average applied tariff rate is 2.9 percent. As of June 30, 2018, according to the WTO, Vietnam had 80 nontariff measures in force. Foreign investment restrictions related to commodity trading have been eased. The state remains involved in the financial sector. About 30 percent of adult Vietnamese use formal banking services.