

VIETNAM

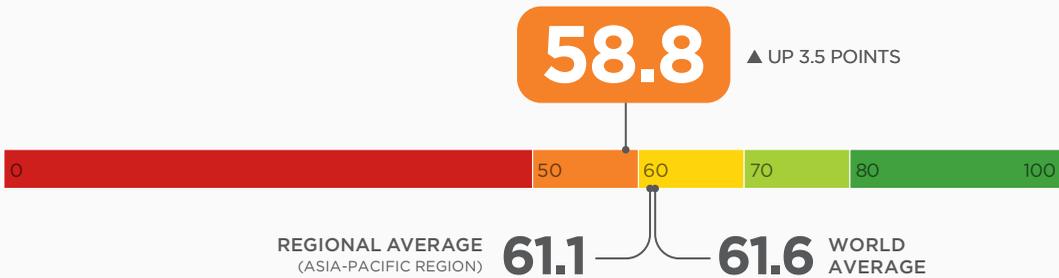
Vietnam's economic freedom score is 58.8, making its economy the 105th freest in the 2020 *Index*. Its overall score has increased by 3.5 points due to a dramatic gain in **fiscal health**. Vietnam is ranked 21st among 42 countries in the Asia-Pacific region, and its overall score is slightly below the regional and world averages.

The Vietnamese economy has gradually been climbing the ranks of the mostly unfree since 2011. Strong GDP growth over the past five years has mirrored this improvement, driven by export-focused manufacturing and processing sectors.

Economic freedom will be enhanced in Vietnam if the government can successfully expand economic liberalization by promoting international trade and restructuring state-owned enterprises, but progress on the latter is likely to be limited by pushback from established interests within the Communist Party. Improvement of the investment climate will be slow without improvements in judicial effectiveness and stronger efforts to fight corruption.

WORLD RANK: **105** | REGIONAL RANK: **21**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +17.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
94.6 million

GDP (PPP):
\$710.3 billion
7.1% growth in 2018
5-year compound annual growth 6.6%
\$7,511 per capita

UNEMPLOYMENT:
1.9%

INFLATION (CPI):
3.5%

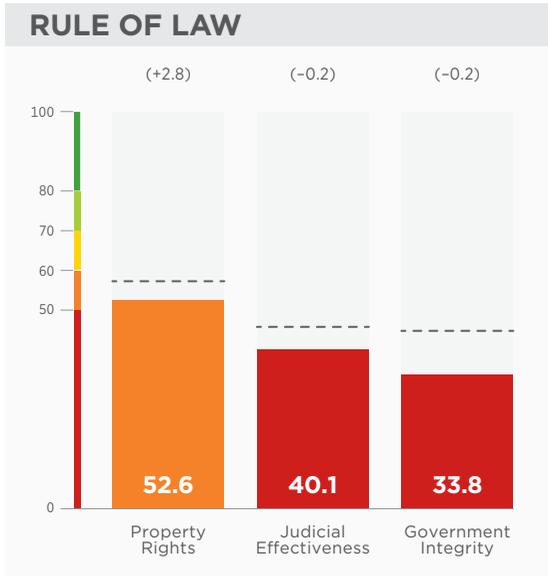
FDI INFLOW:
\$15.5 billion

PUBLIC DEBT:
57.5% of GDP

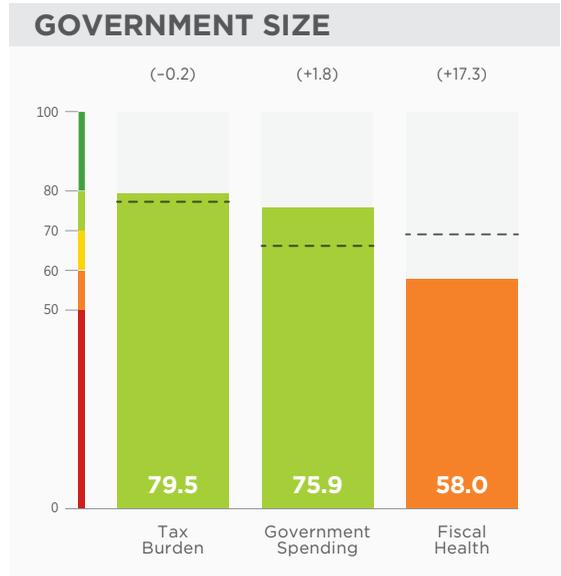
2018 data unless otherwise noted. Data compiled as of September 2019

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, however, began in 1986 with *doi moi* reforms aimed at transitioning to a more industrial and market-based economy. 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, but state-managed economic liberalization has continued under General Secretary Nguyen Phu Trong. Vietnam joined the World Trade Organization in 2007 and signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in 2018.

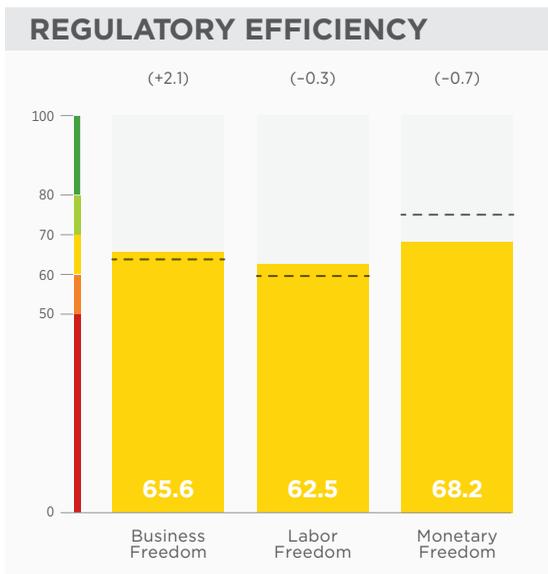
12 ECONOMIC FREEDOMS | VIETNAM



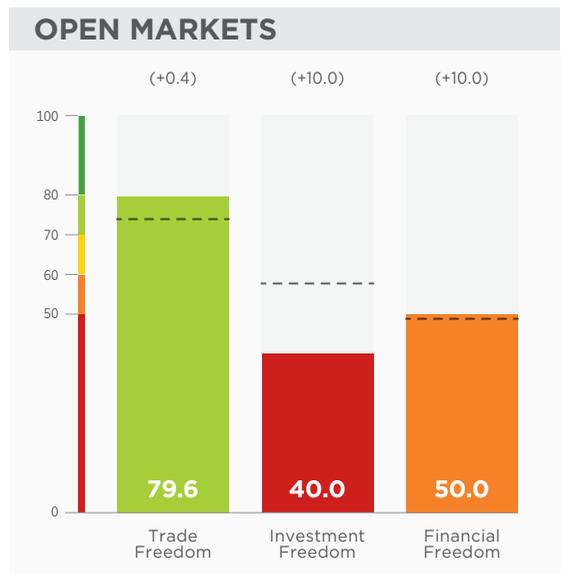
Although all land is collectively owned and managed by the state, as of September 2018, the government had issued land-use rights certificates for 96.9 percent of land in Vietnam. The underdeveloped judiciary is subordinate to the Communist Party of Vietnam, which controls the courts at all levels. Corruption and nepotism are endemic and plague almost every sector of the government, the Communist Party, 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 18.6 percent of total domestic income. Government spending has amounted to 28.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.7 percent of GDP. Public debt is equivalent to 57.5 percent of GDP.



Starting a business has become easier, and the cost of business registration has been cut. Corporate governance standards and the enforcement of labor laws are weak. Price stabilization controls remain in effect for fuel, energy and water utilities, natural resources, and pharmaceuticals. In 2019, the government pledged to continue subsidies to the national air carrier for up to 10 years.



The total value of exports and imports of goods and services equals 187.5 percent of GDP. The average applied tariff rate is 2.7 percent, and 80 nontariff measures are in force. The overall investment framework has been modernized and facilitates foreign investment, but it lacks efficiency. The financial sector continues to evolve, and directed lending by state-owned commercial banks has been scaled back in recent years.