VIETNAM

Vietnam’s economic freedom score is 61.7, making its economy the 90th freest in the 2021 Index. Its overall score has increased by 2.9 points, primarily because of an improvement in fiscal health. Vietnam is ranked 17th among 40 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Vietnam’s economy broke into the moderately free category this year for the first time. Its ranking could increase further if the government took additional action to liberalize investment rules and the financial sector. The biggest obstacle to greater economic freedom in Vietnam remains the country’s extremely weak rule of law because of corruption in the subservient judiciary and in the many unreformed and inefficient state-owned enterprises.

IMPACT OF COVID-19: As of December 1, 2020, 35 deaths had been attributed to the pandemic in Vietnam, and economic growth was forecast to decline to 1.6 percent for the year.

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, and state-managed economic liberalization has continued under General Secretary and President Nguyen Phu Trong. Vietnam will hold party elections early in 2021 for the four highest governing positions, including general secretary and president. Vietnam joined the World Trade Organization in 2007 and signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in 2018.
Protection of property rights is still evolving, and enforcement is uneven. The state owns all land, although land-rights certificates have been issued for most of it. Nevertheless, land tenure is still a very contentious issue. The underdeveloped judiciary suffers from corruption and is subordinate to the Communist Party of Vietnam, which controls the courts at all levels. Corruption remains a major problem throughout the government.

The top individual income tax rate is 35 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and property taxes. The overall tax burden equals 18.5 percent of total domestic income. Government spending has amounted to 21.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 42.9 percent of GDP.

Business freedom has declined slightly in comparison to other countries. However, Vietnam’s new 2019 labor code has added flexibility to labor contracts. The government funds a variety of subsidies and administers prices for fuel, energy and water utilities, food, natural resources, and pharmaceuticals.

Vietnam has 13 preferential trade agreements in force. The trade-weighted average tariff rate is 5.5 percent, and 83 nontariff measures are in effect. The overall investment framework continues to improve, and several amendments related to foreign direct investment have been adopted. There are ownership limits in various sectors. The state remains involved in the financial sector, and only about 30 percent of adult Vietnamese use formal banking services.