

VIETNAM

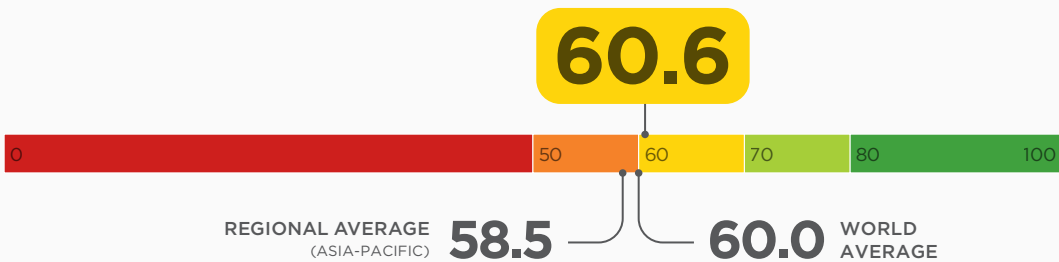
Vietnam's economic freedom score is 60.6, making its economy the 84th freest in the 2022 *Index*. Vietnam is ranked 18th among 39 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

In contrast to most of the world's other economies, Vietnam's economy has grown steadily throughout the past half-decade: strongly positive from 2017 through 2019, decelerating in 2020, and accelerating again in 2021. Economic freedom has generally expanded over the same five years. Led by a significant increase in its **fiscal health** score, Vietnam has recorded an impressive 8.2-point overall gain of economic freedom since 2017 and has climbed (albeit just barely) over the "Moderately Free" threshold. Business freedom and **trade freedom** are relatively strong, but the rule of law is generally weak.

IMPACT OF COVID-19: As of December 1, 2021, 5,161 deaths had been attributed to the pandemic in Vietnam, and the government's response to the crisis ranked 24th among the countries included in this *Index* in terms of its stringency. The economy grew by just 2.9 percent in 2020.

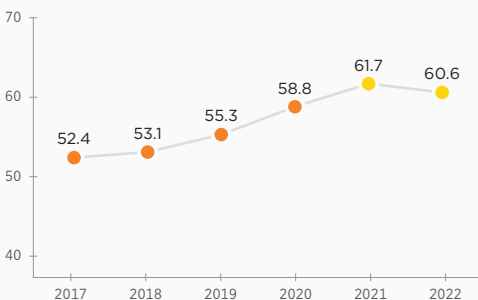


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +18.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
97.3 million

GDP (PPP):
\$1.1 trillion
2.9% growth in 2020
5-year compound annual growth 6.1%
\$10,869 per capita

UNEMPLOYMENT:
2.3%

INFLATION (CPI):
3.2%

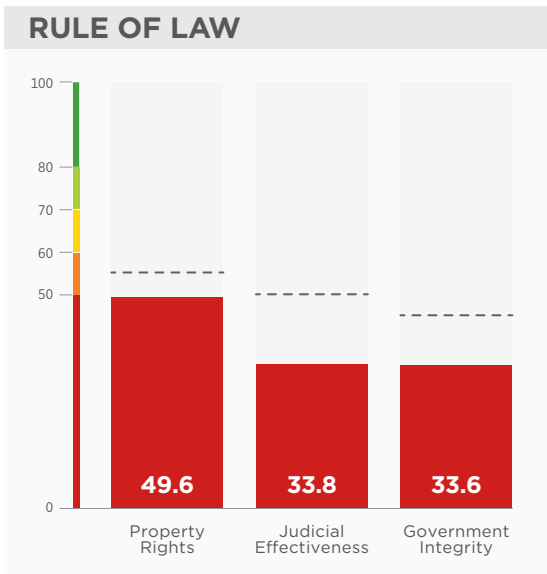
FDI INFLOW:
\$15.8 billion

PUBLIC DEBT:
46.6% of GDP

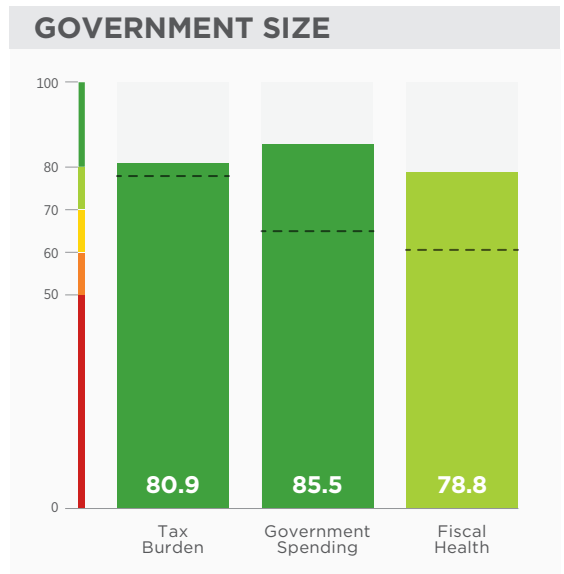
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: The Socialist Republic of Vietnam remains a Communist dictatorship characterized by the repression of dissent and absence of civil liberties. Economic liberalization 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 under former Prime Minister Nguyen Tan Dung, and state-managed economic liberalization continued under Communist Party General Secretary and former President Nguyen Phu Trong, who handed over the presidency to Nguyen Xuan Phuc in 2021. Vietnam joined the World Trade Organization in 2007 and signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in 2018.

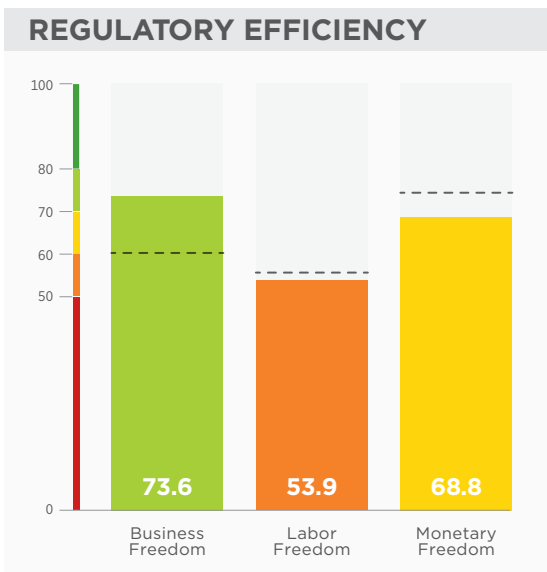
12 ECONOMIC FREEDOMS | VIETNAM



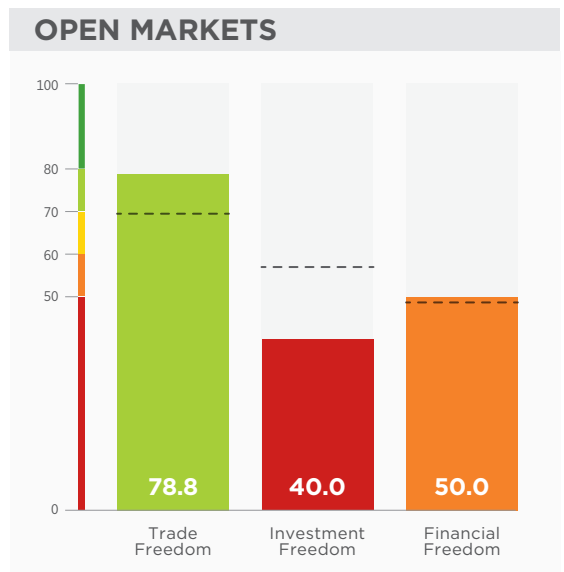
The state collectively owns and manages all land in Vietnam, although land-rights certificates have been issued for most of it. Nevertheless, land tenure is still a very contentious issue. Protection of property rights is still evolving, and enforcement is uneven. The underdeveloped and corrupt judiciary is completely subordinate to the Communist Party of Vietnam. 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 16.9 percent of total domestic income. Government spending has amounted to 22.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.2 percent of GDP. Public debt is equivalent to 46.6 percent of GDP.



The manufacturing sector is strong, but a weak regulatory system and slow bureaucracy make for a less than dynamic business climate. A new Labor Code that went into effect in 2021 provides more contract flexibility, but labor practices are still restrictive. The government funds a variety of subsidies and administers prices for fuel, energy and water utilities, food, natural resources, and pharmaceuticals.



Vietnam has 15 preferential trade agreements in force. The trade-weighted average tariff rate is 5.6 percent, and 83 nontariff measures are in effect. 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.