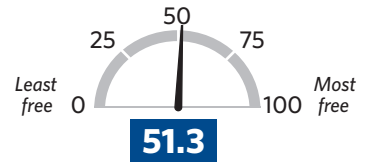


VIETNAM

Economic Freedom Score



World Rank: **136** Regional Rank: **29**

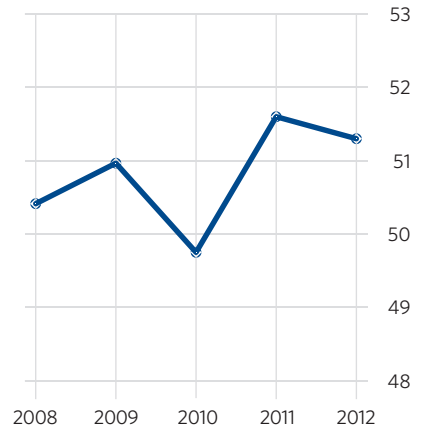
Vietnam's economic freedom score is 51.3, making its economy the 136th freest in the 2012 *Index*. Its score is 0.3 point worse than last year, with a notable improvement in trade freedom counterbalanced by lower scores in government spending and monetary freedom. Vietnam is ranked 29th out of 41 countries in the Asia-Pacific region, and its overall score is lower than the world and regional averages.

The Vietnamese economy has registered annual growth rates averaging about 7 percent over the past five years. Capitalizing on its gradual integration into the global trade and investment system, the economy has been transforming itself into a more market-oriented economy. Reforms have included partial privatization of state-owned enterprises, liberalization of the trade regime, and increasing recognition of private property rights.

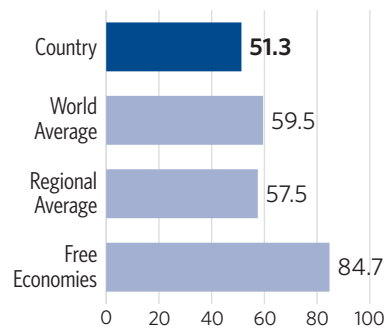
Nonetheless, institutional weaknesses undermine prospects for more sustained long-term economic development. The foundations of economic freedom remain fragile due to corruption and an inefficient judicial system that is vulnerable to political interference. The regulatory efficiency needed to develop a more dynamic entrepreneurial private sector has not been established.

BACKGROUND: The Socialist Republic of Vietnam is governed by a one-party authoritarian regime that has embarked on the path of economic liberalization only recently, starting with its *doi moi* reforms in 1986. In 2007, the country joined the World Trade Organization. Vietnam now boasts one of Southeast Asia's fastest-growing economies, which is driven primarily by tourism and exports, but it also has a serious inflation problem and has struggled to attract more investment in the absence of a transparent rule of law. The government is slowly liberalizing key economic sectors, including financial institutions, but political repression and the lack of respect for basic human rights remain serious concerns.

Freedom Trend



Country Comparisons



Quick Facts

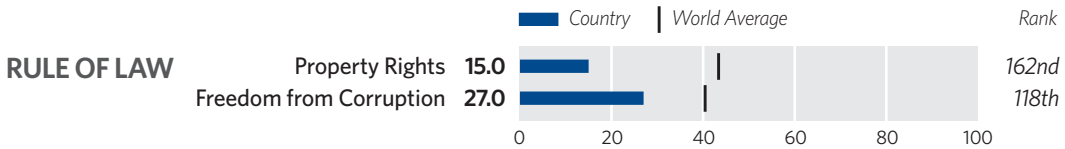
- Population:** 88.3 million
- GDP (PPP):** \$276.6 billion
- 6.8% growth in 2010
- 5-year compound annual growth 7.0%
- \$3,134 per capita
- Unemployment:** 2.9%
- Inflation (CPI):** 9.2%
- FDI Inflow:** \$8.1 billion
- Public Debt:** 52.8% of GDP

How Do We Measure Economic Freedom?

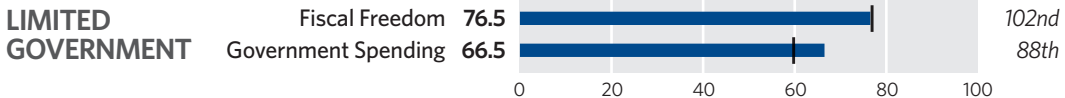
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

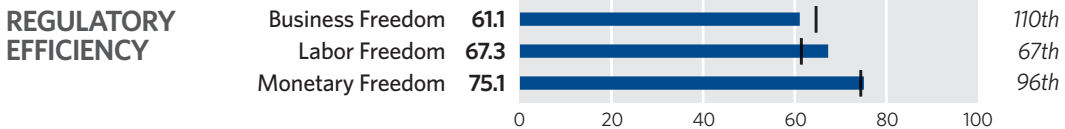
THE TEN ECONOMIC FREEDOMS



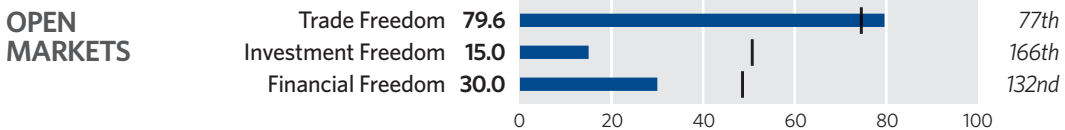
The judicial system is not independent and lacks efficiency. Private property rights are not strongly respected, and resolution of disputes can take years. Infringement of intellectual property rights is common. Corruption is due in large part to a lack of transparency, accountability, and media freedom as well as inadequate systems for holding officials accountable for their actions.



The top income tax rate is 35 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT) and a property tax. The overall tax burden amounts to 22.3 percent of total domestic income. Government spending has increased to a level equivalent to 33.4 percent of GDP. The budget has recorded deficits of over 3 percent of GDP for two years, and public debt has climbed to 52.8 percent of total domestic output.



Despite ongoing reform efforts, the regulatory framework lacks efficiency. Although no minimum capital requirement is imposed, starting a business still takes more than the world average of 30 days and seven procedures. Completing licensing requirements remains costly and time-consuming. The labor market remains rigid, and there is considerable informal labor activity. Inflation has been high, hurting monetary stability.



The trade weighted average tariff rate is 5.2 percent, with layers of non-tariff barriers curtailing more dynamic gains from trade. Despite a desire to attract more foreign investment, the investment regime lacks efficiency and is severely hampered by various restrictions. The financial sector continues to evolve, and directed lending by state-owned commercial banks has been scaled back in recent years.

Score Changes

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
		Monetary Freedom	Financial Freedom
0	+0.6	-0.5	+10.7
0	-8.6	-0.9	0
		-4.0	0