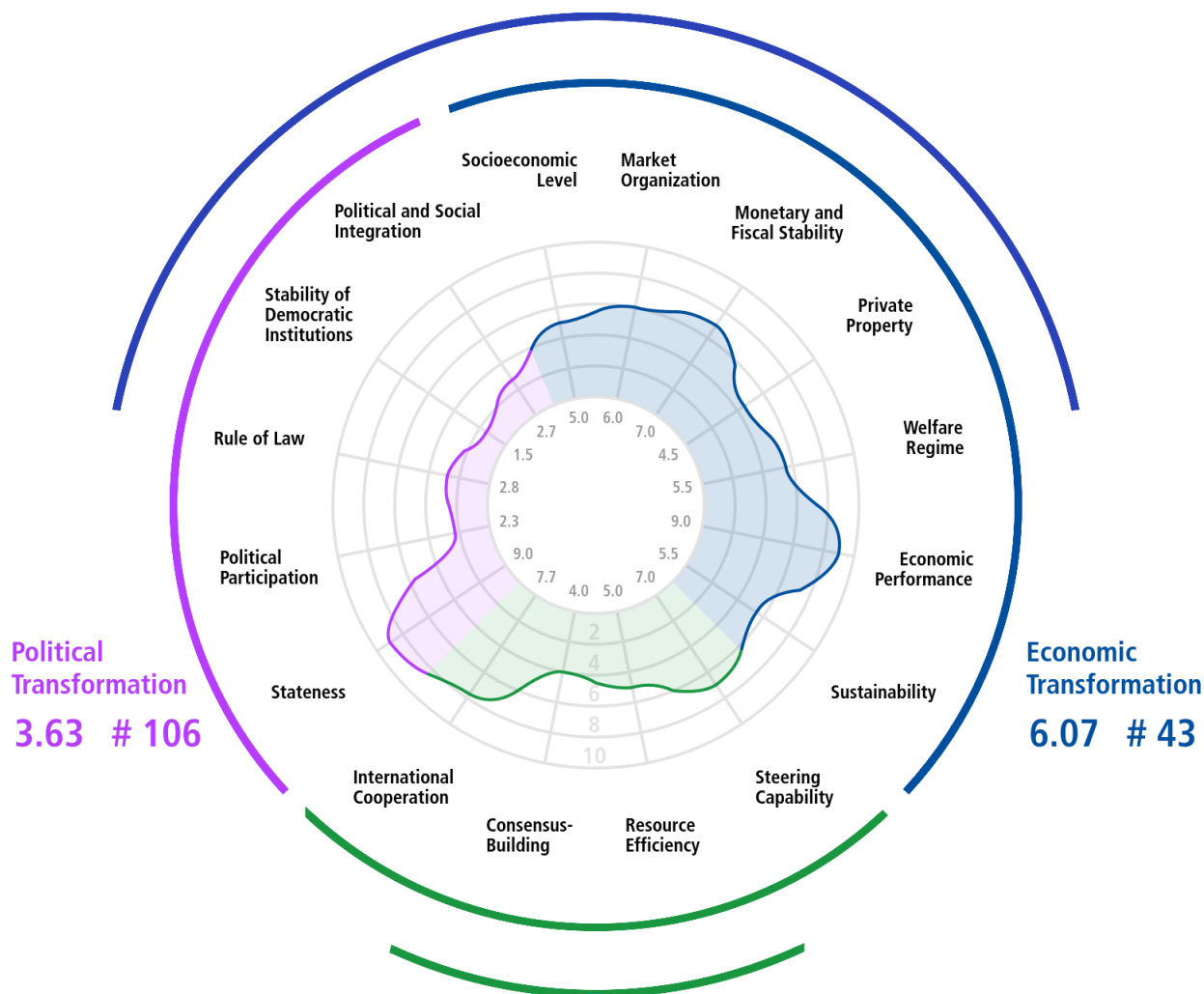


# Vietnam

## Status Index

**4.85 # 82**

on 1-10 scale out of 137



**Political Transformation**  
**3.63 # 106**

**Economic Transformation**  
**6.07 # 43**

## Governance Index

**5.33 # 44**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>97.3</b>	HDI	<b>0.704</b>	GDP p.c., PPP \$	<b>8651</b>
Pop. growth <sup>1</sup>	% p.a.	<b>0.9</b>	HDI rank of 189	<b>117</b>	Gini Index	<b>35.7</b>
Life expectancy	years	<b>75.4</b>	UN Education Index	<b>0.630</b>	Poverty <sup>3</sup>	% <b>6.6</b>
Urban population	%	<b>37.3</b>	Gender inequality <sup>2</sup>	<b>0.296</b>	Aid per capita \$	<b>11.3</b>

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

In January 2021, the Communist Party of Vietnam (CPV) held its 13th congress and elected a new 200-member Central Committee and an 18-member Politburo. Later in 2021, the country held a national election to elect the new National Assembly, which will approve a new government to remain in office until 2026.

Elite politics over the period 2019 to early 2021 remained centered on the twice re-elected CPV secretary-general, Nguyen Phu Trong. Trong's power and influence has increased, enabling him to put his stamp on the party. In 2018, Trong also took over the office of state president following the death of Tran Dai Quang. Occupying two of the four traditional power pillars, Trong is perhaps Vietnam's most powerful single leader since Le Duan. Despite his health and age, Trong continues to consolidate his power and is expected to remain in power until 2026.

Since 2013, and especially from 2016 to the present, the anti-corruption campaign led by Trong, which has also at times displayed elements of a political purge, has achieved remarkable results. Under his leadership, the CPV has intensified party discipline through a resolution aimed at rectifying the ethics and lifestyle of its party members. Its aim is to silence, and even provide a basis for expelling, those party members who make statements deemed "contradictory with the party's lines and the state policies."

Beyond the CPV's ability to maintain political stability through its dominance, the CPV's performance on rights and other measures of governance remains poor. Two cases of particular note concern the party's discipline and expulsion of Mr. Chu Hao, a former vice-minister of science and technology, and the steps the party took to restrict dissent online. Human rights activists viewed the expulsion of Chu Hao, a widely respected intellectual, as an act against freedom of speech. The adoption of the Law on Cybersecurity in 2020 is considered a further step back in freedom of speech and freedom of information. Civil society activists are often and perhaps increasingly harassed and strictly monitored by the public security force. In late 2020, three

members of the Vietnam Association of Independent Journalists were given long prison sentences for “undertaking propagation against the state.”

Other social issues of importance include increasing corruption, inequality and environmental pollution. Gender inequality is on the rise, as evidenced by a very high rate of abortions, including the high number of sex-selective abortions, and a larger gap between men’s and women’s pay. The gap between the majority ethnic group (Kinh) and most ethnic minorities is widening. The country continues to struggle to deal with the challenges of environmental pollution and degradation.

Despite a challenging global environment and continuing tensions between the United States and China, Vietnam’s economy has shown resilience; supported by robust domestic demand, export-oriented manufacturing and an unprecedented growth of the private sector. In 2020, amid the COVID-19 pandemic, Vietnam’s growth rate was 2.91%, making it one of the few countries that posted a positive economic growth rate.

Vietnam’s prominence in the international arena has increased, in part owing to the CPV’s efforts. Within the region, the country continues to play an active and important role within the Association of Southeast Asian National (ASEAN). Rifts in Vietnam-China relations have remained as Beijing continues to militarize its presence in Vietnam’s East Sea, in contravention of international rules. In early 2019, the second summit between North Korean leader Kim Jong Un and the U.S President Donald Trump placed Hanoi in the global spotlight. In 2020 Vietnam was the chair of the ASEAN and a non-permanent member of the United Nations Security Council. The country signed and joined bilateral and regional free trade agreements, including the Regional Comprehensive Economic Partnership. The country was also heralded as a model in the fight against the COVID-19 pandemic.

## History and Characteristics of Transformation

In 1986, the Vietnam Communist Party formally adopted an economic reform program (known as *Đổi Mới*), after having allowed for some experimentation at the local level. The reforms paved the way for a more market-oriented economy to develop and helped deepen the nation’s integration into the region and the world. Economically, after the end of the civil war in 1975, initial reform measures, such as the significant reduction of internal trade barriers and the steps taken to liberalize foreign trade, remained largely ineffective due to galloping, triple-digit inflation rates. Desired results came only after the role of agricultural cooperatives was reduced, planned-economy structures were abolished, prices for goods and services were allowed to float, and additional trade liberalization measures were implemented in 1988 and 1989. The number of state-owned enterprises (SOEs) was reduced sharply from around 12,000 in 1990 to 1,000 in 2020, a process in which some million SOE employees were laid off. By the end of 2020, Vietnam was forecast to surpass China and India in attracting FDI flows and had emerged as a new manufacturing and assembly powerhouse in the world. International trade and inflows of foreign direct investment – mainly into export-oriented manufacturing – have been the main drivers of

economic growth. The government-engineered industrialization process included the establishment of Export Processing Zones (EPZ), which due to cheap labor attracted foreign investment into its manufacturing processes. Since 2009, and especially in 2011, macroeconomic instability has undermined external perceptions of Vietnam as one of the most successful and promising economies in the world. Still, with a rather steady economic growth rate – which is at 6% on average in the past decades, Vietnam’s economy has proven its resilience amidst challenges in the global economy.

The private economic sector has been recognized as a key driver of the national economy, even as its role remains comparatively weak. SOEs, though fewer in number, still dominate and continue to receive privileges from the government through special bank loans and other policies. Privatization, which was only half-heartedly advanced during the assessment period under the banner of “equitization,” exposes firms to competition. Having to compete with other firms for customers and market share could, in principle, create pressures required to stimulate efficiency and improve performance.

In comparison to economic reforms, political reforms have been minor. Efforts to “democratize” have been aimed mainly at improving intraparty political process, decentralizing authority to the local (especially province level) and allowing the sense or appearance of popular participation within existing political institutional frames. Still, since the mid-2000s, Vietnam has seen the emergence of a nascent civil society that in one way or another demands more substantial political reforms and societal democratization. The CPV appears to have made progress in its campaign to eliminate large-scale graft, though corruption remains rampant at all levels. However sincere the party’s intent to address corruption, the absence of institutional reforms appears to set limits on anti-corruption efforts. Recent developments in intraparty democratization and progress in enhancing the authoritative role of the National Assembly in lawmaking have been praised, though these do not suggest landmark political reforms are underway, let alone the movement toward a multiparty system and the respect for and protection of an independent civil society.

In the meantime, Vietnam has expanded and deepened its bilateral relations with countries around the world while it has normalized and built stronger relations with its former foes, including China and the United States. Since the late 1990s, Vietnam quintupled its number of active international relationships and joined most of the important regional and global international organizations. In 1995, Vietnam scored a triple diplomatic success by joining the Association of Southeast Asian National (ASEAN), normalizing diplomatic relations with the United States and signing a framework cooperation agreement with the European Union, which contains a human rights clause and covers economic and trade relations. As part of its accession to ASEAN, Vietnam also became a member of the ASEAN Free Trade Area (AFTA). In 2007, it joined the largest global trade organization, World Trade Organization (WTO). In 2018, the National Assembly ratified a multilateral trade agreement in the region known as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). In August 2020, the free trade agreement between Vietnam and the European Union went into effect. Later in the year, Vietnam joined 14 other Asian and Pacific countries to sign the Regional Comprehensive Economic Partnership, the largest regional economic pact thus far.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

After two successive generations of war against French and United States forces spanning nearly three decades, Vietnam formally became a united country in 1976. Though minor in scale, potential challenges to stateness in the postwar era have come from ethnic and religious groups such as the Hmong in the northwestern, Montagnards/Degar and Protestants in central highlands, and Khmer Krom in southwestern regions of the country. While some of these groups fought the Communist government in the 1970s and early 1980s, there is no active (armed) non-state actor who would challenge the state monopoly on the use of force. The CPV has successfully established the state's monopoly on the use of force.

After the war ended in 1975, the de facto and de jure legitimacy of the CPV was recognized by the majority of Vietnamese. A small proportion of the population, especially those involved in the U.S.-backed southern regime, and some religious groups such as the Vietnam Unified Church of Buddhism, did not support the party-state, but had to learn to accept it. The first decade of postwar national unification (1975 – 1986) witnessed resistance to the government's collectivization of agriculture and nationalization of industry and the commerce sector, political suppression and persecution. This resistance was reflected in large-scale migration, the “boat people” phenomenon. The extent to which ethnic minorities share or reject the common state identity is difficult to assess. What is clear, however, is that with the possible exception of some ethnic minority groups, there is a single, shared national identity.

Question  
Score

Monopoly on the  
use of force

10



State identity

9



Vietnam is a secular state. The Communist government thus far recognizes 42 religious organizations, affiliated with 15 distinct religious traditions, as defined by the government. Of these 15 religious traditions, Buddhism is the major religion and attracts the most followers. In its pursuit of a modern and secular state model, the government has adopted a legal framework that formally recognizes religious freedoms of its citizens. It does not ban party members or government officials from visiting religious establishments to practice their religion. In the past few years, the government has allowed more religious freedoms, as long as religious practices pose no threat to the CPV's rule. However, religious groups unregistered with and not recognized by the government are prohibited from operating.

The country's basic administration is divided into four levels consistently implemented across the country, namely: central, provincial, district and commune. The state administration is able to provide basic public services throughout most parts of the country, though the quality of the bureaucracy varies between provinces and cities.

Politically, the party-state structure has allowed the CPV to control the system effectively and enhance its resilience. Arbitrary appointment of party members to public offices remains common. Gestures to merit-based appointments are typically without meaning, as approval by party committees at the same or higher level is required. Personal relationships, bribes and family connections remain important. This is seen in the "selling and buying of public office positions." Large-scale corruption has been partly contained thanks to the anti-corruption campaign undertaken in the past four years, though petty corruption is still rampant throughout the system.

However, during times of large-scale disasters, the administration is able to demonstrate a sometimes impressive ability to act. For example, in 2020, Vietnam was praised as a model for countries around the world in its response to the COVID-19 pandemic, though the country's success in containing the pandemic was at least partly due to the government's forceful measures, including restricted access to public buildings and operation of public services.

No interference of religious dogmas

10



1

Basic administration

7



1

## 2 | Political Participation

Vietnam holds one-party elections throughout the nation every five years for both the National Assembly and local People's Councils.

By law, a national elections council is established to undertake “10 tasks” related to the elections, including the screening and approval of the final list of candidates, though ironically its independent role was questioned by the chairman of the National Assembly during the elections in 2016.

Citizens who reach 18 years of age are eligible to run for election, but males must not be over 55 years old and females must be no older than 50. The national elections council and other organizations such as the Vietnam Fatherland Front, which is in charge of establishing the list of candidates based on negotiations and consultations, is required to follow the Communist Party of Vietnam (CPV's) Politburo's authoritative instructions and guidelines on all aspects relating to the elections, including the selection and nomination of candidates.

1008.

Voting is mandatory on election day, but the turnout is cosmetic. This is because very often a family member casts votes not only for himself or herself but also for the rest of the family. For CPV members, they must be nominated by the party cells they have joined. News about the elections, and meetings between the candidates and voters are run on media but controlled by the state. There is effectively very little and more commonly zero competition between the candidates. Citizens cast their votes on a pre-approved list of candidates by the CPV, making the elections formalistic.

The current National Assembly has 496 members, of which 475 are party members and 21 non-party members. All members of the Politburo and Central Committee of the CPV sit in the National Assembly. This party-dominated assembly is effectively a rubber-stamp of the party, even though it has gained more genuine power recently, when it rejected projects that had been endorsed by the Politburo.

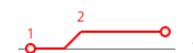
The government has recently arrested or attempted to cover up civil society activists calling for free and fair elections. Notably, these arrests took place prior to the 13th party congress (January 2021) and the national elections (May 2021).

All heads of the government ministries, ministerial agencies, and provincial party committees are members of the CPV. The majority are members of the central committee of the party. The power arrangement as such aims to ensure effective and consistent leadership of the party throughout the system, at the central and local level. The central committee is the most powerful decision-making body. It is “democratically” elected within the party not by popular votes.

Free and fair elections

2

'06 '22 10



Effective power to govern

2

'06 '22 10





The party adopts the principle of democratic centralism. This means in theory a Politburo member or central committee member can say “no” to a party policy in deliberations, but once the policy is adopted all party members are obliged to back it. Typically, if a decision had been made by the Politburo, it would not be reversed. However, there have been recent instances in which Politburo decisions were rejected in the central committee and on the floor of the National Assembly. Looking at these cases through a positive lens, they demonstrate a countervailing force to the absolute concentration of power.

The country’s 2013 constitution grants citizens the right to freedom of association and assembly. However, the government continues to severely restrict the implementation of these rights. In 2010, the government issued Decree No.45 providing the establishment, activities and management of associations. A report presented by the Vietnamese government at the Universal Periodic Review (UPR) 2019 stated that, as of 2017, there were more than 68,125 associations. This included five mass organizations under the direct management of the ruling party, namely the Vietnam General Confederation of Labor, Vietnam Farmers’ Union, Ho Chi Minh Communist Youth Union, Vietnam Women’s Union and the Vietnam Veterans Associations. A non-governmental organization can be established, but in one way or another must be affiliated with a state-sponsored umbrella organization or association.

The government has been in the process of drafting a bill on associations, but the bill has faced perpetual delays and there is no confirmation of when it will be submitted to the National Assembly for deliberation and enactment into law. The reason behind the delay of enacting this law is that the government fears that more independent non-governmental organizations will be established, opening the window for the establishment of opposition political parties and the emergence of an independent civil society. Opposition political organizations of any form remain banned.

Because of the already strict regulation of civil liberties, additional constraints – other than the restrictions on freedom of travel and movement, that come with pandemic-related lockdowns – have not been necessary.

Public gatherings, especially those related to “sensitive” topics such as human rights, democracy and civil society, can be permitted by the authorities, but are closely monitored by the public security (police). In the past, public gatherings and demonstrations were held to protest China’s aggressive actions in the East Sea (South China Sea). The enactment of a law on demonstrations continues to be delayed due to what the government terms the “low quality” of the draft law. In the meantime, the government applies the criminal code and other legal documents to control and suppress public gatherings and demonstrations. The criminal code has also been used to suppress strikes by workers – a right of laborers as enunciated in the Labor Code 2012 – arbitrarily if the government perceives these activities as a threat to the regime.

Association /  
assembly rights

3

'06 \_\_\_\_\_ '22 10



Freedom of expression is prescribed and protected in the constitution 2013. However, the Press Law, the Publication Law, and the Criminal Code criminalize any activities that are considered to be “propagandizing against the state,” “conducting propaganda to slander the people’s government; conducting psychological warfare and spreading rumors; creating, storing and disseminating cultural products with anti-socialist government contents,” “taking advantage of democratic freedoms and rights to violate the interests of the state and social organizations,” “slandering and questioning the legitimacy of the people’s government,” and so on. The government frequently uses these vaguely-defined crimes to restrict freedom of expression.

The internet has been a public space for citizens to express their political views in a party-state where no independent media is allowed. However, internet users in Vietnam are now increasingly cautious in expressing themselves online, aware of the risk of being charged with one of the crimes outlined above. Freedom of expression has been even more restricted since June 2018, when the National Assembly adopted the law on cybersecurity. The law came into force on January 1, 2019.

According to international human rights organizations and the U.S Department of State, hundreds of bloggers and activists have been arrested and imprisoned in the past year. Well-known activists are kept under constant surveillance and prevented from leaving their homes to meet others or to participate in protests. Local human rights activists have reported that a total of 72 people, including social media users, dissidents and human rights defenders, have been arrested, detained and given prison sentences. More recently, Vietnam faced outrage from the international human rights community in response to the arrests and imprisonments of well-known human rights and civil society activists such as Pham Chi Thanh, Pham Doan Trang, and three members of the Independent Journalists’ Association of Vietnam (Pham Chi Dung, Nguyen Tuong Thuy and Le Huu Minh).

### 3 | Rule of Law

The separation of the three branches of power is constitutionally established but merely symbolic and formal.

The National Congress of the VCP is held every five years. Development directions and plans including foreign policy of the country over the next five years are adopted. The congress selects a central committee, which is the most powerful decision-making body of the party. The current central committee has 180 official and 20 alternate members who elect the Politburo and the Secretariat. Actual power rests with the 19-member Politburo which includes the four most powerful positions – party secretary-general, state president, prime minister and chair of the National Assembly. As leader of the ruling party, the party’s secretary-general is widely considered, and in a substantive sense is, the most powerful man. Three other top positions of the nation, namely the state president, the prime minister and the chair of the National Assembly, are also members of the Politburo.

Freedom of expression

2

'06 \_\_\_\_\_ '22 10



Separation of powers

2

'06 \_\_\_\_\_ '22 10



In August 2018, after the sudden death of the state president, the first two positions were temporarily combined and vested in one. However, the CPV 13th congress held in January 2021 reverted the arrangement to four pillars.

At all levels of state and administration organizations exists a party committee to oversee routine operations and control all important affairs including, for example, the personnel and structure of the organization. The head of the executive branch is also the chairman of the party committee. For instance, a minister is also the chief secretary of the party committee in their specific ministry.

Vietnam is in practice under full control of the CPV. Chief justices and judges are party members and bound to the decisions made by party committees. The chief justice of the People's Supreme Court (PSC) is currently a member of the CPV Secretariat. The selection and nomination of judges is screened and verified by the party committees where they are employed. They are subsequently approved by the CPV-controlled National Assembly and appointed by the state president. During the amendment of the constitution in 2013, there were proposals and recommendations concerning the establishment of a constitutional court in response to the fact that a number of laws and legal documents were unconstitutional. However, the idea of constitutional review was rejected. The judiciary is widely viewed as being prone to corruption. In recent years, there have been a dozen "grand corruption cases" related to high-ranking government officials (one of which involved an incumbent CPV Politburo member), which have been brought to court for trial. Still, the Communist Party of Vietnam (CVP) has always directed courts to limit the scope of the trials in these cases, effectively protecting the regime, as some grand corruption cases are likely to implicate high-ranking and even top government leaders.

Office abuse remained prevalent in the party-state during the review period. The media have at times exposed instances where relatives or children of incumbent or retiring senior leaders, and unqualified persons, were elevated to senior positions, attracting wide attention. One such scandal from 2019 involved the son of a provincial party chief who was brazenly appointed to lead the party committee of the city under his father's supervision without an election. In the face of public pressure, the son was ultimately appointed to head a department of the provincial government, a less powerful position, but still a promotion.

Recent years have seen new efforts to address this problem. Since being elected CPV secretary-general and chairman of the Central Anti-Corruption Steering Committee in 2012, Nguyen Phu Trong, who was also the state president until 2021, has led an intensifying fight against corruption. The committee under his leadership established a list of grand corruption cases. As of December 2020, more than 11,000 cases associated with corruption, office promotion and economics have been prosecuted, investigated, and brought to court for first-hearing trials. 1,900 were corruption cases involving 1,400 persons. More than 800 cases were monitored and supervised at three levels. The Central Steering Committee for Anti-Corruption (CSCAC) directly monitored, supervised and gave direction to 133 cases, with 94 corruption and

Independent  
judiciary

2

'06 \_\_\_\_\_ '22 10



Prosecution of  
office abuse

4

'06 \_\_\_\_\_ '22 10



economic-wrongdoing cases that were of serious and complicated nature drawing public attention. Criminal convictions were issued in 88 corruption and economic-wrongdoing cases, involving 814 persons, including one incumbent member of the Politburo, seven former and incumbent members of the central committee, four former and incumbent ministers, and seven military and police generals.

Still, the prosecution of official abuse cases is constrained by the party-controlled mechanism which prevents “big fish” from being arrested and disciplined. High-ranking party members who are accused of abusing powers are first subjected to party discipline procedures before being brought to legal courts for trial. The Central Commission for Inspection of the CPV oversees these party procedures. The commission’s resolutions on its findings related to “wrongdoings” – a euphemism for corruption – are irreversible and are often taken as steers for judicial procedures. The party controls the legal process by selecting and limiting the scope of a case. By doing so, the party can manage public outrage on corruption, while also saving face for the regime.

According to the 2013 constitution, “human rights and citizens’ rights are recognized, respected and protected” by law, but citizens are bound by their duties to the state and society. In reality, violations of civil rights are common. These include harassment, torture and cruel treatment, arbitrary arrest and detention, denial of fair public trials, infringement on privacy and correspondence of activists and members of some religious groups, as well as the LGBTQ+ community. The recent adoption of the law on cybersecurity further enhances the power of authorities to monitor free expression via social media.

Furthermore, citizens’ enjoyment of their rights is subject to evaluation according to principles of “national defense, national security, social order and security, social morality and community well-being.” The party-state and its security machinery frequently use these concepts as a pretext to silence voices or suppress activities deemed to challenge the power and legitimacy of the ruling party, and the survival of the regime.

Security forces are often deployed to suppress any activities defined by the government as posing a threat to social order and security. Protests resulting from land disputes between local farmers and authorities are forcefully dispersed by the police. In January 2020, for example, the Ministry of Public Security deployed approximately 3,000 riot police to a village 40km north of Hanoi in a land dispute involving local villagers and the Ministry of Defense. Three police officers and an elderly villager were killed in the clash. The villager was himself a longtime party member and drew support from broad swaths of the population. The incident became divisive, as it pitted members of the leadership and security apparatus against those sympathetic to the villagers’ claims.

#### Civil rights

3

'06 \_\_\_\_\_ '22 10



1

Freedom to practice one's religion can also be constrained. Members of the Evangelical Church of Christ, and in the northwest of the Highlands, Hmong Christians, the Evangelical Church of Vietnam North, the United Buddhist Church, some Cao Dai and Hóá Hao Buddhist groups, and many Catholic priests have all been harassed and arrested because of their religious practices, or on charges of undermining the unity policy of the party-state. Overall, the party-state effectively controls religious activities and does not accept the influence of religious dogmas on law and order and political institutions

#### 4 | Stability of Democratic Institutions

Vietnam has a single-party autocracy. Representative institutions are controlled and “placed under the leadership of the party.” The National Assembly is the party-state's lawmaking body. It has nearly 500 members, but more than 90% of them are party members who are bound to party rules and orders.

In recent years the party has reformed the National Assembly's operations to make it (and especially make it appear to be) a more deliberative forum. This is seen, for example, in periodic questions and answer (Q&A) sessions broadcast on live television, and in the holding of confidence voting, in which the assembly assesses the performance of elected and appointed positions, including the president, the prime minister, the chairperson of the National Assembly, and government ministers. However, these operational platforms and their votes and judgments are approved by the CPV Politburo ahead of time. Secondly, National Assembly members aim to exert moral pressure on government ministers by playing the “showing and shaming” card rather than requiring ministers to step down. Essentially, democratic deliberations are restricted to the scope set out by the CPV Politburo.

The CPV has established measures to promote “grassroots democracy” at local levels following province-wide riots by farmers in Thai Binh province in 1997. This ordinance on grassroots democracy was adopted in 2008 and has been made mandatory across the nation since then. The legal document provides for nominally democratic accountability mechanisms, such as people's inspection boards, which serve as a community's investment monitoring board. It aims to increase people's participation in public projects and enhance transparency and accountability of local officials over their performance. However, the implementation of this ordinance has been generally evaluated to be “cosmetic” and “formalist” and “not real.”

In 2020, though disrupted by the COVID-19 pandemic, the National Assembly flexibly held mid-year and end-year sessions through a combination of virtual and face-to-face meetings. Debates between deputies (interrogators) and government ministers (respondents) have been livelier.

Performance of democratic institutions



Since the country embarked on the Đổi Mới (renewal) policy 35 years ago, the party-state has undertaken political reforms in this direction. Nonetheless, nominally democratic institutions are accepted as legitimate only by those actors working within the formal system. Beyond the party-state, there is no way of measuring what percentage of Vietnam's population recognizes democratic institutions to be legitimate, as the system is undemocratic and restrictions on political expression, organization and independent oversight effectively foreclose any efforts to assess legitimacy.

Over the past three decades, despite a recognized record of remarkable economic growth, the ruling party has seen an ever increasing number of party members leave the party. Many famous intellectuals, former government officials, and retired public officials have either publicly renounced or quietly discontinued their party membership. The CPV secretary-general sounded a note of alarm in 2017, acknowledging “ambivalence toward the party, dislike for the youth union, and apathetic to politics.” At the same time, nascent but emerging independent “civil society” groups regularly act as a source of ideas contradictory to the party-state's.

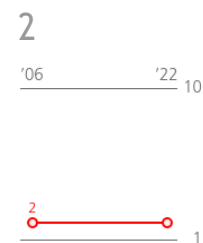
## 5 | Political and Social Integration

Vietnam has a single-party system. The CPV does not allow any opposition party. It has undertaken controlled and strategic political reforms, demonstrating its adaptability to changing conditions. As of December 2020, there were nearly 60,000 party committees at local level nationwide, with 5.2 million members across the country, representing approximately 2% of the country's population. The military and public security forces are placed under, and are expected to show absolute loyalty to, the leadership of the CPV.

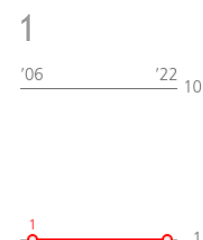
The CPV's legitimacy is always controversial. While it has enjoyed support from the population, it has never sought democratic consent for its rule. In recent decades, the CPV-led Đổi Mới program has delivered high economic growth, enabling the party to enjoy “performance legitimacy,” even as its image as a revolutionary force for justice fades. The CPV lacks a system of checks and balances and a party system capable of effectively aggregating societal interests. The party-state's early success in containing the spread of the COVID-19 pandemic while maintaining positive economic growth, has earned more support for the party and its rule.

Vietnam combines market economic structures with state dirigisme and single-party rule. This combination generates a diversity of groups representing different social interests. Most interest groups operate under the CPV's control. These include both formal and informal interest groups. With respect to formal interest groups, there are six large organizations, namely the Vietnam Fatherland Front (VFF), Vietnam Women's Union (VWU), Vietnam General Confederation of Labor (VGCL), Vietnam Farmers' Union (VFU), Ho Chi Minh Communist Youth Union (HCYU) and Vietnam Veterans' Association (VVA). These organizations implement the

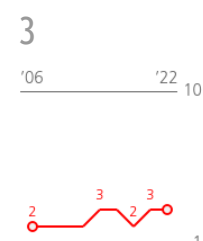
Commitment to democratic institutions



Party system



Interest groups



party's social and political agenda. Leaders of these organizations, except the VVA, are more often than not members of the CPV Central Committee, holding a rank equal to a government minister. The president of VFF is currently a CPV Politburo member. All of these groups are internally organized according to the principles of democratic centralism.

Other formal interest groups include professional organizations such as the Vietnam Lawyers' Association and Vietnam Bar Federation, Vietnam Union of Science and Technology Associations (VUSTA) and the Vietnam Union of Literature and Arts Associations. All are also influenced by the CPV. The Vietnam Chamber of Commerce and Industry (VCCI) ostensibly represents the interest of the business community, but is a government agency in reality, managed by a party committee. The heads of these professional associations and organizations are party members and were formerly high-ranking officials in the government.

In addition, there are thousands of smaller groups and associations established with the permission of the government. They are often affiliates of one or another of the "big name" organizations listed above. The majority of these groups are financially autonomous, and their operations tend to be strictly in the interests of their members. One interesting aspect of the associational life in Vietnam is the existence of "informal" groups or associations such as a group of people from the same hometown, groups of classmates, and so on. These organizations, even though they are not formally established, enhance and maintain the cohesion of the society, and to some extent contribute to the resilience of, rather than posing a threat to, the regime.

In recent years, surveys have been conducted to measure local-level governance performance across the country. They include the Vietnam Provincial Governance and Public Administration Performance Index (PAPI) and Public Administration Reform (PAR) indices. These surveys are carried out with the involvement of international consultants and are therefore fairly independent and objective. Local authorities very often look at these surveys to encourage local governance reforms. Some government, party and parliamentary institutions such as the Central Commission for Education and Propaganda, Institute of Sociology and the National Assembly Committee for Social and Cultural Affairs also occasionally conduct public surveys, though these are of limited scope. The results of these surveys are not normally published, and while researchers may find ways to access the findings, they are most likely biased. The findings of regional survey projects such as the Asian Barometer Survey indicate that a very large majority of the respondents (more than 80%) approve and prefer democracy; the same surveys, however, show that respondents are satisfied with how their country's "democratic" system works, which raises questions about the cross-cultural applicability of such survey questions and the concept validity of such measures.

Approval of  
democracy

n/a

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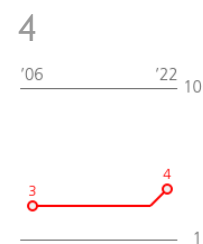
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There is little valid or reliable data on social capital in Vietnam except limited survey data on interpersonal trust which demonstrate a very high level of institutional trust in Vietnam, compared to other and more democratic countries in Asia.

However, social capital cannot be measured only on levels of trust. In Vietnam, self-help and mutual support is considered a tradition of Vietnamese society and culture. A folk slogan “the full leaf supports the torn one” (lá lành đùm lá rách) is the heart of mutual support. The culture of village life is also a source of social capital which strengthens social cohesion and maintains social stability.

Vietnam’s early successes in managing the COVID-19 pandemic are partly attributable to public trust in the government’s swift and authoritative measures. There is consensus among scholars that voluntary compliance with crucial health measures (such as social distancing and masks) and self-help and solidarity among citizens (especially for those of need) have been crucial aspects of societal resilience during the pandemic in Vietnam. Citizens’ cooperation with the government is a remarkable source of social capital and a key to the success of efforts to combat the spread of COVID-19. Therefore, the pandemic, and citizens’ responses to it, reveals some new insights into the state of solidarity, trust and social capital in Vietnam, suggesting a more positive assessment than previously thought.

Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

In 2015, Vietnam was reclassified as a lower middle-income country. Consequently, it witnessed the termination of many bilateral and multilateral development aid programs. Vietnam’s HDI value for 2019 was 0.704, positioning it 117 out of 189 countries and territories. Between 1990 and 2019, Vietnam’s HDI value increased from 0.483 to 0.704, an increase of 45.8%.

Between 2016 and 2019, more than six million people were lifted out of poverty, and approximately two million people were removed from the group of those living below the poverty line. According to the World Bank, Vietnam attained the UN’s Millennium Development Goals (MDGs) on poverty reduction 10 years ahead of schedule. The country was hailed by the UN as one of a few developing countries successfully fulfilling its commitments to achieve the targets set for the eight MDGs.

Life expectancy has progressively increased over the years and Vietnam is among the nations that have the highest literate population in Southeast Asia. In 2019, according to the Southeast Asia Primary Learning Metrics (SEA-PLM), Vietnam had the best learning achievement at the primary level in the ASEAN. Still, there is a wide gap

Question  
ScoreSocioeconomic  
barriers



between and among social groups. The poverty rate for mountainous and far-flung ethnic minorities remains higher than their counterparts in urban areas, nearly ten times higher than that for the Kinh (the majority group of Vietnamese). Mortality rates for children aged less than one from ethnic minorities are four times higher than that for Kinh children. The malnutrition rate of the former group is the same as it was 10 years ago, despite the tripling of the number of millionaires in the country over the last 10 years.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	223779.9	245213.7	261921.2	<b>271158.4</b>
GDP growth	%	6.8	7.1	7.0	<b>2.9</b>
Inflation (CPI)	%	3.5	3.5	2.8	<b>3.2</b>
Unemployment	%	1.9	1.2	2.0	<b>2.3</b>
Foreign direct investment	% of GDP	6.3	6.3	6.2	-
Export growth	%	16.7	14.3	6.7	<b>5.0</b>
Import growth	%	17.5	12.8	8.3	<b>3.3</b>
Current account balance	\$ M	-1649.0	5899.4	13101.2	-
Public debt	% of GDP	46.3	43.7	43.6	<b>46.3</b>
External debt	\$ M	104090.0	106854.5	117337.2	<b>125045.3</b>
Total debt service	\$ M	13558.3	18196.5	16424.6	<b>16358.0</b>
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	6.5	6.5	6.5	<b>6.8</b>
Public education spending	% of GDP	4.1	4.2	4.1	-
Public health spending	% of GDP	2.7	2.7	-	-
R&D expenditure	% of GDP	0.5	-	-	-
Military expenditure	% of GDP	2.3	2.3	-	-

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Vietnam has an increasingly market-based and rules-based socialist-oriented economy, but the contradiction between market rules and socialist ideology still constrain the country's economic competitiveness. Vietnam has been a member of the World Trade Organization (WTO) since 2007. The country has signed 15 free trade agreements. However, significant barriers to a full market economy remain in pricing, in currency management, in certain important markets and for non-state forms of ownership. Despite the government's frequent claims that all enterprises are equal regardless of ownership, in reality the state-owned sector is heavily favored.

According to a 2012 law on prices and Decree 146 (November 2016), Vietnam maintains price controls over many important commodities, such as gasoline, electricity, liquid petroleum gas, certain transportation fares and veterinarian services. The prices of cement, construction steel, coal, sugar, rice, newsprint paper, textbooks, milk and nutritional powders for children under six, animal feed and medicines are not controlled, but producers are required to report prices. For most of these commodities and services, the market is dominated or monopolized by state-owned firms, and price controls are ostensibly to serve national interests (such as to keep inflation low) or social functions (such as to guarantee a certain level of consumption for the poor).

The World Bank's report on Doing Business in Vietnam released before the outbreak of the COVID-19 pandemic ranks Vietnam's 70 out of 190 economies. Though this rank is fairly good compared to economies with similar per capita income, the country remains behind emerging economies in ASEAN such as Malaysia, Indonesia, Singapore and Thailand. The breakdown of the overall rating shows that Vietnam is still ranked lower than 100 in four sub-indicators: starting a business, paying taxes, trading across borders and resolving insolvency. The Vietnamese government has requested its ministries simplify and cut more administrative procedures to enable business operations. Between 2018 and 2019 for instance, the Ministry of Industry and Trade removed 675 out of 1,215 (accounting for 55.5%) business requirements for 27 sectors and industries under its management. The last five years have also seen a major boost in implementing an e-government system. The government considers developing an e-government system as a strategy to enhance the economy's competitiveness and create a healthy business environment. At the same time, however, a USAID report released in March 2017 reported that two-thirds of businesses were found to have to pay "unofficial expenses" to conduct their business, about 12% higher than in 2012. These expenses now account for approximately 10% of total revenues, compared to about 7% in 2012.

The informal sector in Vietnam is large, as expected for its level of development. According to World Bank data, there were an estimated 22.5 million smallholder farmers (43%) and 11 million non-agricultural laborers (21%) among the 52.6 million

Market  
organization

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people in the labor force in 2014. There were another 7.4 million wage workers without work contracts (14%). These compared with 11.3 million wage workers with contracts (22%), of which 1.4 million were employed in state-owned enterprises (2.6%), 2 million in foreign-owned enterprises (3.8%), and 3.9 million in the domestic private sector (7.5%).

In 2020, thousands of businesses of all sizes in the formal and informal economic sectors were severely affected by the COVID-19 pandemic. However, while large-size state run enterprises such as Vietnam Airlines received financial support from the government to save it from bankruptcy, private businesses were forced to close their operations, leaving tens of thousands of employees unemployed.

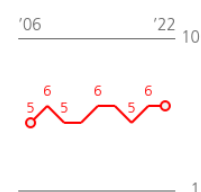
On July 1, 2019, a new Competition Law came into effect. In March 2020, the government promulgated an executive decree (No.35/2020/ND-CP) providing guidelines for the implementation of the law. As a rule of the thumb, state-owned enterprises will dominate in sectors sensitive to the regime. According to the new law, competition restraining agreements, market dominance, economic concentration and unfair practices will be addressed. The law also expanded its scope to include both Vietnamese and foreign companies, and individuals, in case their actions have or potentially restrict competition in the domestic market. For the first time, the law provides that the Vietnamese government will have authority over offshore activities if there is an impact on the domestic market. The law will apply to the foreign entities part of competition-restricting agreements, economic concentration, or other unfair activities, even if the company does not have a subsidiary in Vietnam. In addition, public service units such as hospitals and schools have been brought under the scope of the law, which was not the case in the previous version.

The new law merged the Vietnam Competition Authority with the Vietnam Competition Council to form the National Competition Committee (NCC). A Competition Investigation Agency has also been established under the NCC, which will be responsible for monitoring and investigating breaches of competition law. The NCC will be placed under the Ministry of Industry and Trade, but its chairperson and associate members will be appointed by the prime minister. The new law prohibits certain types of anti-competitive agreements if the firms are in the same market or if the agreements can affect market competitiveness.

A leniency program has also been introduced in the new law. Companies that are part of an anti-competitive agreement may be entitled to leniency if they voluntarily reach out to government authorities before an investigation is formally opened. This program will only be available to the first three applicants, with the first applicant being eligible for a penalty exemption of 100%, while the second and third will be eligible for an exemption of 60% and 40% respectively.

#### Competition policy

6



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After three decades of Đổi Mới, Vietnam is now the 21st largest export economy in the world and the 83rd most complex economy according to the Economic Complexity Index (ECI). In fact, Vietnam has made strong commitments to foreign trade in terms of opening its domestic market and promoting exports. The World Bank has reported that the overall tariff rate applied by Vietnam was reduced from 15.29% in 2001 to 3.14% in 2015. This rate has been reduced to almost zero after Vietnam's National Assembly ratified the CPTPP at its 6th Session on November 12, 2018. According to the Ministry of Planning and Investment, by 2035 Vietnam's GDP and exports will increase 1.32% and 4.04% respectively, thanks to the implementation of the so-called new generation free trade pacts. Thus far, Vietnam has signed 15 free trade agreements, of which the latest are the Regional Comprehensive Economic Partnership and the Vietnam-UK Free Trade Agreement. In August 2020, the Vietnam-European Union Free Trade Agreement went into force, benefiting Vietnamese exports to the European Union market.

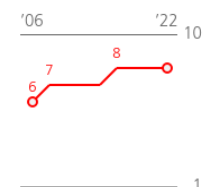
As of December 2020, Vietnam's banking system is fairly diverse, including four state-owned commercial banks, 31 joint-stock commercial banks, nine foreign-owned banks, two joint-venture banks, 16 finance companies, 10 leasing companies, and four microfinance organizations.

However, the country's banking system carries many risks. Structurally, the state still plays a dominant role in the system. The State Bank of Vietnam (SBV) does not function as a central bank in real terms and appears not to be independent. This structure opens the system to political manipulation by politicians and corruption. During the 2000s, Vietnam under Nguyen Tan Dung's premiership, who was also a former governor of SBV, saw a growth of private banks and connections between tycoons in the banking sector and politicians. A tycoon can be an influential stakeholder in several joint-stock banks whose operational funds were derived in reality from the state. Mismanagement, corruption, and vested interests posed a risk of potential collapse of the banking system, and caused a huge financial loss for the state. To rectify the system, the state was forced to intervene by purchasing a number of private banks that owed debts to the state with no interest. In 2020, the former governor of the State Bank of Vietnam was disciplined by the CPV Politburo for serious wrongdoings and mismanagement.

According to regulations, banks must maintain a minimum charter capital of approximately \$140 million. Nearly 60% of the joint-stock commercial banks have low charter capital (less than \$150 million). The SOEs are not part of the banking system, but they provide evidence of a soft budget constraint that poses a tremendous risk to the system. During the credit and housing boom in the mid-2000s, SOEs took out large loans from state-owned banks not for productive purposes but for real estate speculation. This led to a large amount of non-performing loans when the boom went to bust in the late 2000s; SOEs are estimated to account for nearly 60% of those loans. By the end of 2019, a large number of SOEs faced business losses and owned non-

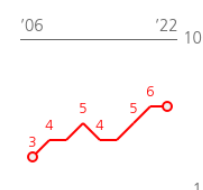
#### Liberalization of foreign trade

8



#### Banking system

6



refundable loans worth millions of dollars. Vietnam's non-performing loan ratio was 2.1% in September 2020, compared to the lowest record thus far of 1.6% in December 2019. Although the official estimate of those loans represents about 5% of GDP, Moody's offers a considerably higher estimate of 15%. In 2020, the State Bank of Vietnam reduced the interest rate three times, with the lowest rate set at 1.5-2%, in response to the impact of the COVID-19 pandemic on businesses.

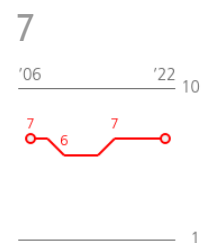
## 8 | Monetary and fiscal stability

Vietnam's National Assembly typically holds two sessions annually. The second often takes place in the last quarter of the year to review the economic targets set out by the government for the same year and approve new targets for the following year. Among these targets includes the inflation rate. The State Bank of Vietnam (SBV) has a responsibility "to curb and keep the inflation at a sustained low rate" and "to stabilize the financial market, and foreign exchange market." SBV does not act like a central bank, but rather like a ministerial agency under the government. After high inflation rates in the 2000s, the rate has since been brought down gradually to 0.6% in 2015. It increased to 2.8% and 3.77% in 2019 and 2020, respectively. This was thanks to the government's project to restructure credit funds and organizations, as well as tougher control of the monetary policy. According to the IMF country representative, Vietnam's monetary policy in 2020 was flexible and responsive to the impact of the COVID-19 pandemic, supporting the economy by implementing target policies, maintaining appropriate exchange rates and curbing inflation.

Vietnam's currency, the dong, is not convertible. Until recently, the SBV pegged the dong against the dollar and allowed it to adjust within a narrow band. In 2012 the SBV adopted a more flexible foreign exchange-rate policy. Since early 2016 the SBV has applied a centralized exchange-rate administration policy. This approach has allowed the SBV to publish and adjust the exchange rate on a daily basis, setting the exchange-rate baseline for credit funds and organizations to transact between the dong and the dollar within the margin of +/- 3%. However, as Vietnam's economic growth is dependent on exports to major markets, the implementation of an exchange-rate policy in a way that supports the economy and also maintains the pace of economic growth is a constant challenge for the SBV.

In 2020, the State Bank of Vietnam reduced interest rates three times in order to save enterprises, especially state-own medium and small-size enterprises, from being dissolved or bankrupted. The interest rate policy has somehow benefited enterprises' production, making the price of their exports more competitive in the global market. By the end of 2020, Vietnam's gross amount of foreign exchange reserve amounted to nearly \$100 billion, equivalent to about 4-4.5 months of imports.

### Monetary stability



Although Vietnam avoided the most severe impacts of macroeconomic instability during the 2000s, the economy is currently facing new challenges, with a rising debt burden and the government's failure to reduce the budget deficit. However, in 2020, despite the impact of the pandemic, the budget deficit was marginally lower than average, standing at 4.99%, equivalent to nearly \$2 billion.

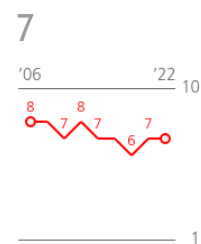
The government has made numerous efforts over the last decade to rein in spending, including trimming bureaucracy and cutting back on wasteful investment projects. However, these have been of limited effectiveness. In 2020, according to a government report, the COVID-19 pandemic had a major impact on revenues collection for the entire year. After 10 months, there was a decline of 11.5% compared to the same period in 2019. In the meantime, public spending for 10 months in 2020 was VND 1,113.7 trillion, of which VND 17,500 billion was earmarked for the combat against the pandemic. Total public debt as of December 31, 2020 was 56.8% of GDP, marking a slight increase compared to 55% in 2019. However, this is still below the level of 2016, when the World Bank's estimate of Vietnam's public debt was approximately 62% of GDP.

The government's flexible and responsive fiscal policy to support local business communities affected by the pandemic has been praised. There is sound coordination between fiscal and monetary policy. The Ministry of Finance implements a state budget restructuring plan, which helps the entire economy to be resilient to the effects of the pandemic. In addition, the government commanded all government agencies throughout the entire system to cut a minimum of 70% of expenditures on conferences and travel bursaries. The government also delayed an increase to the basic salary for public employees and the armed forces as a way to alleviate the budget burden. The general assessment is that, while facing substantial impacts from the COVID-19 pandemic in 2020, Vietnam's fiscal policy made a pivotal contribution to positive economic growth as well as to macroeconomic stability.

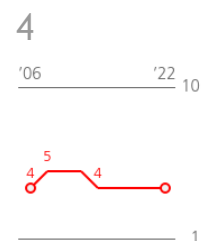
## 9 | Private Property

The Vietnamese government has a poor track record in protecting private property. According to Article 53 of the 2013 constitution, land and other resources are publicly owned and state-managed. Individuals, households and businesses are given land use rights but not ownership. Article 54 of the constitution and Article 16 of the 2013 land law allow local governments to requisition land for a variety of purposes related to national security and socioeconomic development. Widespread complaints persist of inadequate or delayed compensation, official corruption, and a general lack of transparency and due process in the government's process of confiscating land and displacing citizens to make way for infrastructure projects. The law grants considerable decision-making authority over land pricing, allocation and land reclamation to local people's committees and people's councils, which many assert has contributed to unfair business practices and corruption.

### Fiscal stability



### Property rights



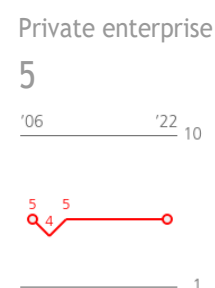
In the 2010s there were numerous reports of clashes between local residents and authorities at land expropriation sites. Some coercive land seizures resulted in violence and injuries to both state officials and villagers, as happened in Dong Tam commune (a suburb of Hanoi), Thua Thien Hue Province (a central province of Vietnam) and other areas across the country. In January 2020, a deadly clash occurred between Dong Tam villagers and Hanoi riot police, leaving three police officers and an 80-year old villager dead. The incident once again represents the challenge relating to the protection of private property rights if private ownership is not recognized.

Before 1986, state-owned enterprises and collectives were the two leading forms of ownership in the economy. In the post-Đổi Mới era, and particularly since the 7th congress in 1991, the CPV formally recognized “state economy, collective economy and private economy are the foundations of the national economy.” Since then, numerous laws have been adopted to create a legal framework for the operation of the private sector. In 1999, the Law on Enterprises was promulgated, establishing the authority of the state, the right of investors and businesses, and especially the right to freedom of doing business. The law provoked a surge of newly registered enterprises. In 2014, the National Assembly passed a revised version of the 2005 Law on Enterprises, reiterating the importance of private enterprises to the national economy.

The current government, under the premiership of Nguyen Xuan Phuc, has drawn much attention to private enterprises. In 2017, private enterprises contributed 43.2% to GDP and 39.0% of investment capital to the national economy. In 2020, the pandemic caused a significant fall in the number of new enterprises established. In the first quarter of 2020, the country saw 29,700 new enterprises registered and established, with a total registered capital of VND 351,400 billion, a decrease of 6.4% compared to the same period in 2019.

Despite their increasingly important role in the economy, private enterprises still face challenges stemming from the government’s policies and laws. The administrative procedures are cumbersome, creating conditions for corruption and bribes. There are also discrepancies between the law on investment, law on land, law on procurement, and so on, hindering the investments of private enterprises and implicitly generating an unequal playing-field between private and state-owned enterprises.

Since 2010 the government has made a more sustained effort to “equitize” and merge many state-owned enterprises. However, the real problem is not the number of state-owned enterprises equitized, but the ratio of state funds replaced by other funds. In the past 20 years, 92% of state-owned enterprises have been equitized, but 90% of state funds remain untouched. That said, the majority of these enterprises are still managed by the state. SOEs continue to receive far more favorable access to land and credits from the government than the private sector. Even enterprises with foreign investments are treated better by the government than Vietnam’s own private enterprises, especially those without political connections. The latter face onerous regulations, hostile government policies, and much more powerful competitors in



state-owned enterprises and enterprises with foreign stakeholders. The larger a SOE is, the more favor it receives from the government. In the meantime, privatization of state-owned enterprises is conducive to corruption. There are cases in which relatives of leaders of government ministries involved in the privatization process become very wealthy due to mismanagement and loopholes during the process.

Political connections are a barrier to the growth and development of private enterprises, particularly in terms of access to public finance and funds in a crisis such as the COVID-19 pandemic. In the first quarter of 2020, according to a report released by the Ministry of Planning and Investment (MPI), approximately 34,000 enterprises adjourned their operations in the market. Most of them are small-size private enterprises. The government's financial support policy was not large enough to save these enterprises.

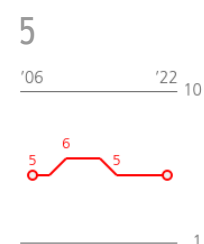
## 10 | Welfare Regime

Vietnam's social security system has slowly developed as the market economy evolves. Progress has been made more in poverty reduction and health care than in pension provision. In health care, public spending has increased from 1.5% to 2.7% of GDP from 2000 to 2018, which is now higher than most of its neighbors. Health insurance enrollment has increased from 15% to 70% of the population in the same period. 30% of the population remains uninsured, and out of pocket medical expenses can drive many households into poverty. Corruption has been partly contained, but petty corruption remains pervasive in the system. Vietnam social insurance is playing an increasingly prominent and effective role in monitoring health insurance payments as a means to promote health system accountability and cost control.

Vietnam has a pension system that pays pensions to workers in the formal sector and to people of old age in return for their past contribution to the revolution. Data for 2013 indicates that the formal system covered just 20% of the workforce and favored those with higher incomes. Public spending on pensions is below the global average, but social contribution to pensions by employees and employers is high as a percentage of total spending, ranking only below China and Malaysia in East Asia. A social pension covers 1.3% of those aged 60-79, and 79% of those aged 80 or above. The benefit level is modest, at under 10% of per capita income. Social assistance programs have been introduced since 2000, but public spending for these programs remains low, at about 0.69% of GDP between 2008 and 2013. In addition, mismanagement and corruption in the past 10 years has weakened the social security regime.

In 2020, access to public services, including public health services, was somewhat curtailed due to the pandemic-related lockdown imposed by the government. However, this was not prolonged, as the government effectively controlled the pandemic. In general, there was little disruption in accessing essential public services.

### Social safety nets





In 2019 the Gender Inequality Index ranked Vietnam 65 out of 162 countries, marginally more progressive than the Philippines and Thailand, who ranked 104 and 80 respectively.

Though the party-state has always emphasized equality in all aspects for everyone, regardless of their background, discrimination or unequal treatment remains, particularly for women, people with disabilities, ethnic minorities, migrants and rural residents. Furthermore, people with relations or access to state power have superior opportunities across all social fields. According to the UNDP Human Development Report 2020, at 72.7% in 2019, Vietnam has the highest rate of female participation in the workforce among countries in East Asia and the Pacific. Vietnam has a higher percentage of females active in the labor force than the Philippines and Thailand. The rate for men in Vietnam is 82.4%. 26.7% of parliamentary seats are held by women, and 66.4% of adult women have reached at least a secondary level of education, compared to 78.2% of their male counterparts.

In Asia, Vietnam has the second highest ratio of women in leadership in businesses, with 36.0%, just behind the Philippines with 37.46%, but higher than Singapore (33.04%), Indonesia (31.85%), Korea (29.89%), India (28.16%), Malaysia (22.68%), Thailand (19.39%), and Japan (15.43%).

There are gaps in terms of job structure, placement and wage between women and men in the same occupation. For instance, 7.8 million female workers were involved in the informal economic sector, but 59.6% of them were employed in vulnerable jobs, while that figure was 31.8% for men. In addition, women were paid lower wages than men with the same qualifications for the same jobs. On average, female workers' wages were 10.7% lower than that of male workers.

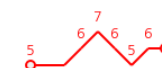
Ethnic minorities, migrants and rural residents are considerably poorer and have more limited access to services than the Kinh majority and urban residents. Christians, who account for about 10% of the population, and children of former government officials of the Republic of Vietnam (South Vietnam), may face career and political barriers if employed in state institutions.

Vietnam passed a law on people with disabilities (PWD) in 2010 and joined the UN Convention on the Rights of Persons with Disability in 2015. However, people with disabilities experience difficulties in accessing basic social services including health care and education. More than half of children with a form of disability have never been to school. In 2020, the COVID-19 pandemic had a severe impact on the country's economic production and business activities, including the employment of people with disabilities. However, thanks to the government's successful containment of the pandemic, the severity of the impact on people with disabilities is less than in other countries in the region.

Equal opportunity

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## 11 | Economic Performance

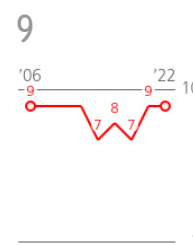
Having grown rapidly over the last 35 years, Vietnam's economy has grown at an average annual rate of nearly 7% in the past decade. In 2020, amid highly unfavorable impacts of the COVID-19 pandemic, Vietnam was one of the few countries registering positive growth with one of the highest growth rates in the world at 2.91%. Per capita income has increased nearly twofold from \$1,525 in 2011 to \$2,715 in 2019 at current price. Poverty fell to just below 5% in 2019, which had surpassed 60% in the late 1980s. FDI has been a major driver of economic growth in the past two decades. In 2018, Vietnam drew \$35 billion in FDI, making it the most attractive destination in the region for foreign investors. However, this figure fell to \$28.5 billion in 2020 and is attributable in part to the impact of the COVID-19 pandemic. Total investment continues to increase year-by-year. In 2019, it stood at VND 2,047 trillion, of which VND 635 trillion was registered for the public sector, VND 943 trillion for the private sector, and VND 469 trillion for the FDI sector. A slight increase was recorded for total investment in 2020. The value for the public, private and FDI sector was VND 729, VND 972 and VND 463 trillion respectively.

Despite consistent growth over the years, data published by the government suggest that the country's labor productivity is still among the lowest in Asia. Over the years, the proportion of economic sectors in the economy has also changed. Vietnam is traditionally an agrarian nation, but the agricultural sector is gradually being replaced by the services and manufacturing sectors. In 2020, services accounted for 41.63% of the economy, which was followed by the manufacturing and construction sector at 33.72% of the economy. Agriculture accounted for only 14.85% by comparison. In 2020, despite the impact of COVID-19, Vietnam's total import-export value reached \$543.9 billion, of which exports accounted for \$281.5 billion, giving the country a trade surplus of \$19.1 billion.

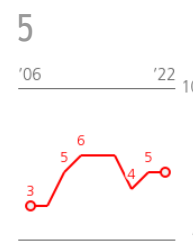
## 12 | Sustainability

Vietnam has a rather comprehensive policy and legal framework to address environmental challenges. Policy documents range from the Vietnam Climate Change Strategy (CCS) and the Vietnam Green Growth Strategy (GGS) to a Resolution of the Communist Party on Climate Change, and an Environmental Protection Law. The recently revised penal code provides a separate chapter on "environmental crimes." In response to recommendations from COP21, Vietnam adopted an Action Plan for the Implementation of the Paris Agreement on climate change, becoming one of the first countries to do so. In November 2020, the National Assembly amended the 2014 environmental protection law to impose responsibilities on corporations ("polluters pay" rule, and requirements to use best available pollution control technology) and give local communities an enhanced role in conservation and supervision. Moreover, the law reclassifies certain types of waste as resources, an important step toward improving the recycling process.

### Output strength



### Environmental policy



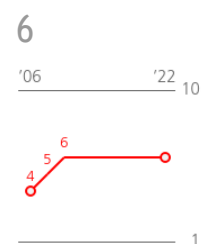
While public awareness for environmental concerns and the will to regulate environmental pollution is pronounced, enforcement of regulations and a lack of adequate monitoring mechanisms remains a huge problem. Therefore, government agencies and local authorities frequently ignore regulations in the pursuit of economic development, rendering the framework toothless. In addition, the application of official policy is hampered by the incoherence of segmented policies and an overall top-down approach in political decision-making, without sufficient input from stakeholders and civil society. For example, official statistics show that violations of environmental regulations take place in 80% of Vietnam's industrial zones. Most of the violations involved FDI enterprises, but the authorities have either ignored or even tried to cover up and protect the violating businesses, as evidenced in several environmental disasters in the past decade. The government has vowed to enhance compliance with the law, though it might fear that if it applies an iron fist on foreign-invested companies, especially those from China, it may lose FDI inflows.

Important consequences of ineffective implementation of these documents include the loss of nearly 80% of the country's primary forests, although the rate of forest destruction has declined in recent years. An important cause of deforestation and an important source of environmental damage has been the construction of hydroelectric dams in the northwestern and central regions. These dams are now believed to contribute significantly to a high level of floods in central Vietnam during the monsoon season, which, in 2020, took the lives of hundreds of people and caused serious damage to properties nearby.

Vietnam's education and training system encompasses formal and informal education at four main levels: early childhood education: nurseries and kindergarten; general education: primary education, lower-secondary education and upper-secondary education; vocational education and training (VET); and higher education. The Ministry of Education and Training (MOET) is responsible for the overall national education system – except for VET, where policy responsibility was transferred on January 1, 2017 to the Ministry of Labor, Invalids and Social Affairs (MOLISA). MOET's main responsibilities include education policy, curricula for early childhood and general education, identifying learning outcomes for higher education, setting standards for textbooks and teaching materials, budget planning and quality assurance. Under Resolution No. 25/2016/QH14, a five-year national financial plan for 2016–2020, the government aims to allocate 20% of the total budget to education and training. Public expenditure on education accounted for 4.2% of GDP in 2018. The 2019 UN Education Index score for Vietnam was 0.630. The literacy rate was 95% in 2018.

Article 48 of Vietnam's Education Law 2005 prescribes three types of educational establishments: public education establishments, which are established, funded and monitored by the government; people-founded educational establishments, which are often established and funded by social or economic organizations with permission

Education policy /  
R&D



from the state; and private educational establishments, which are established and invested by individuals or groups of individuals with permission from the state. The second and third types are commonly referred to as non-public educational establishments. In November 2018, the National Assembly passed a revised Law on Higher Education, which grants more autonomy to higher education institutions.

In June 2018, the government issued Decree 86, replacing Decree 73 (2012), on foreign cooperation and investment activities in education and training in Vietnam at all levels, except for vocational education and training. Vietnam has implemented two major education reform programs supported by international donors, including the Renovation of General Education Project (2016 – 2021); the Secondary Education Sector Development Program, phase II (2017 – 2023); and the Enhancing Teacher Education Program (2016 – 2021).

According to a UNESCO report, Vietnam stands out among East Asian countries for the state's dominant role in tertiary education, with 187 public institutions of higher education compared to 28 private ones (the public/private ratio is 7/1). Yet universities and businesses employ only 43% of researchers: the rest work for the government, which is the highest rate in East Asia. The government's attention to and investment in research has not kept pace with the country's rate of economic growth. R&D expenditure as a percentage of GDP (0.19% in 2002 and 0.4% in 2016), and the number of researchers per one million people (less than 500 in 2011 and above 600 in 2016), were among the lowest in East Asia.

## Governance

### I. Level of Difficulty

The CPV faced numerous structural constraints to governance following the unification of the country in 1976. The success of *Đổi Mới* and high economic performance have enabled the CPV to make significant progress in addressing these structural constraints and, compared to many other countries in Southeast and South Asia in particular, the current structural constraints to governance in Vietnam are moderate.

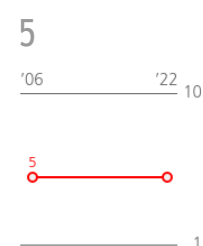
Vietnam is favorably located in the most economically dynamic region in the world with abundant natural resources and a young population. Continued economic development has boosted infrastructure development. Transport, logistics, and networks have been improved to meet the requirements of internal connections between regions for economic development and the country's deep integration and engagement with the outside world. Politically, the ruling party has undeniably undertaken administrative reforms at all levels, enhancing the public administration and governance.

Nevertheless, there are certain structural constraints that remain, including growing urban versus rural disparities, and strained interethnic relations between the Vietnamese majority and various ethnic minorities. Infrastructure remains underdeveloped, and the health system – while resilient against pandemics such as COVID-19 at the central level – is still vulnerable and ill-equipped to handle diseases at the local level. In addition, Vietnam is one of the countries in the world most severely affected by climate change and extreme weather events. While education levels are relatively high compared to many other countries of a similar (or lower) income level, the quality of education and the capacities of the educational system are deficient, and perhaps insufficient for future economic development.

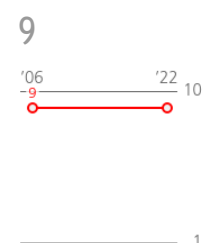
Even though Vietnam has local traditions of village-based associations and associational life is vibrant with lots of festive activities around the year, civil society is implicitly considered by the ruling party as antagonist to the regime. Vietnamese civil society is at present more vibrant in the economic space, while severely controlled in the political sphere.

Forms of civic engagement including autonomous non-commercial, non-political, non-familial association have increased, but public and even civic engagement

Structural  
constraints



Civil society  
traditions



remains tightly controlled and repressed. There is a very large NGO sector – both domestic and transnational – and non-governmental organizations play an important role in social and economic life. At the same time, such forms of CSOs can only operate in “non-political” areas, with approval from the party-state. Many are government-controlled or organized.

Historically, the major cleavage has been political, as a direct consequence of foreign occupation and defeat of the Republic of Vietnam (RVN) in the south. Though the country was united in 1976, the war still engenders some bitterness and hatred and division among many Vietnamese. While it remains hard to know how deep this cleavage runs, there is a lingering sense of distrust and even resigned disdain for CPV rule among some segments of the population.

There have been reports of ethnic tension in the lower Mekong Delta as ethnic Khmer groups react to and resist certain government policies viewed as oppressive. Rising social inequality, popular resentment at government policies in land management, infrastructure development, and environmental protection, may lead to social conflict in the future.

Conflict intensity

3

'06 \_\_\_\_\_ '22 10



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## II. Governance Performance

### 14 | Steering Capability

The ruling party and the government have full capacity to set strategic priorities and long-term development strategies. However, the influence of communism on the CPV can interfere with the prioritizing and achieving of objectives.

The CPV adopts the country’s development strategies at its national congress, held once every five years. These strategies set priorities to be achieved between the two congresses or for a set period of time. Since Vietnam embarked on the Đổi Mới approach three decades ago, the party-state has adopted three 10-year socioeconomic development strategies, covering 1991 to 2000, 2001 to 2010, and 2011 to 2020 respectively. The government consistently seeks to implement these priorities, although the strategic goals may be adjusted annually in response to circumstances at home and abroad. At present, the government is reviewing the outcomes of the implementation of the socioeconomic development strategy 2011 – 2020. Essentially, the strategy has been assessed as having achieved its goals. However, there are various goals that are undoubtedly not achievable by the end of 2020, not only because of the pandemic, but because the goals were too ambitious. For instance, the government ambitiously set a target of 7-8% for GDP growth rate per annum, and for GDP per capita to be \$3,000. The overall rate was 6% or slightly higher, while GDP

Question

Score

Prioritization

7

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per capita was \$2,342.24 by the end of 2018. This partial failure in achieving strategic goals can be attributed to the slow recovery of the world economy and world politics. But there were also domestic issues, such as inefficient and ineffective implementation concerning the restructuring of the economy, and the renewal of the growth model in part due to the CPV's political reasons.

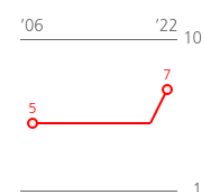
In 2020, the government managed to achieve a positive growth rate while successfully managing the COVID-19 pandemic. Vietnam's economic growth rate as of December 31, 2020 was 2.91%, making it one of the economies posting the highest growth rate in the world. The pandemic affected all aspects of life in Vietnam in 2020 but had little effect on long-term strategic goals.

In the past five years, thousands of administrative procedures and business conditions have been removed by government agencies, loosening formal restrictions on business operations. However, as indicated in 14.1 above, the government's implementation of its policies may be hampered by institutional capacity and weaknesses in human resources, as well as unexpected crises such as the pandemic. In the party-state structure, the government is accountable for the implementation of socioeconomic development strategies adopted at national party congresses. The prime minister heads a committee in charge of drafting these strategies. The current government, headed by Prime Minister Nguyen Xuan Phuc since 2016, called for an "enabling government" (chính phủ kiến tạo), which promotes entrepreneurship and creates favorable conditions to businesses. This approach has borne fruit, becoming the driver for Vietnam's sustained economic growth, propelling it into being one of the fastest growing economies in the Asia-Pacific, even while being affected by the COVID-19 pandemic, and despite the disruption to supply chains throughout 2020.

In 2020, the government's top priority was the mitigation of the pandemic and its impact on public health and the economy. In regard to both goals, the government has demonstrated an impressive ability to implement its chosen instruments and policies. For example, as of January 19, 2021, Vietnam had only recorded 1,540 confirmed COVID-19 cases and 35 fatalities. Moreover, the government succeeded in containing two large waves of infections. As the American-Vietnamese scholar Nhu Truong argues in a recent study, "from the outset," the government "had been equipped with an infrastructural capacity from established institutions and with procedures for public health crisis management and prevention of infectious diseases." Already on December 19, 2019, the government issued Directive 33/CT-TTg, which ordered the Ministry of Health to "strengthen prevention and control of infectious diseases ... [p]roactively monitor, detect factors causing diseases, and to timely manage epicenters of emergent diseases." In January 2020, the government conducted a national risk assessment, set up the National Steering Committee on COVID-19 Prevention and Control, and issued a national response plan. In the following months, the "government swiftly advanced key policies that focused on the imperative of establishing organizational structures and coherent plans of action, with the clear aim of implementing systematic and comprehensive strategies" to protect the public from COVID-19.

Implementation

7



Since Đổi Mới, all Vietnamese prime ministers, except Nguyen Tan Dung (2006 – 2016), established their own advisory body, whose principal duty is to provide policy advice on economic affairs to the prime minister. After being installed as head of the government, Prime Minister Nguyen Xuan Phuc re-established the advisory body. However, unlike his predecessors, Nguyen Xuan Phuc included overseas Vietnamese scholars in his 14-member economic advisory group. An outstanding achievement in terms of policy learning on the part of the current government is that thousands of administrative procedures, regulations and business eligibility requirements have been removed.

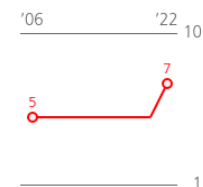
The CPV also has its policy advisory body, named the Central Council of Theoretical Studies, whose main duty is to give advice to the CPV Central Committee, Politburo and Secretariat on inter alia political theories that provide the foundation for the party to work out its policies to rule the country. The council holds dialogues with foreign counterparts, mainly with Chinese, Laos, Cuban and other communist parties, to learn not just how to protect socialism, but more broadly how the communist party should seek to stay in power and attract membership, given that young people are more interested in pursuing the cult of capitalism. The council also implements research projects and undertakes study tours to Western countries to learn about governance, anti-corruption, policymaking and so on. However, it is likely that any learning picked up in the West will be adapted to fit the CPV's ideology.

Both the government and the party are ostensibly keen to learn about policies and consult industry experts. However, advice from experts is frequently ignored, especially recommendations deemed to threaten the power and the rule of the party, or which touch on unspecified politically sensitive matters. Furthermore, vested groups or interest groups that are close to the government and party leaders in various cases influence policymaking for their own sake. This can be termed “policy corruption.”

In response to the COVID-19 pandemic, Vietnam relied on its own anti-pandemic experience in the past as well as the local health system. However, it also looked to other countries' experiences in combating the pandemic. One lesson that Vietnam learned quickly from China, as revealed by the minister of the Government's Office, is the latter's emergency response plan immediately after the outbreak of the pandemic. Vietnam's prompt adjustment in strategy contributed to its success in containing the spread of the pandemic thus far.

Policy learning

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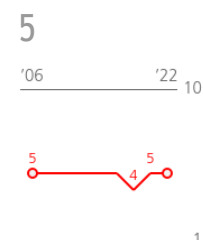
## 15 | Resource Efficiency

Vietnam has an unwieldy administrative system constructed on the basis of a parallel state/party structure. Since 2017, based on an order of the CPV Politburo, the central government has enhanced its efforts to reorganize and streamline the administrative apparatus at all levels. According to a recent report by the CPV Commission for Organizational Affairs, by the end of 2018, seven Directorates, 202 Departments, and more than 14,800 Divisions or an equivalent had been dissolved or merged, thus reducing the number of executives to 11 at the directorate level, 180 at the department level, and 900 at the division level. The same report found that provincial governments across the country have been reduced to 65 departments or an equivalent, and to 5,120 divisions or an equivalent, effectively reducing the substantial number of local executives by more than 170 at the department level and by approximately 8,350 at the division level. Within one year, more than 59,700 local bureaucrats were made redundant. In 2019, some provinces merged their Office of the Delegation of National Assembly Deputies with their Office of the People's Council. However, the use of public assets continues to be ineffective. Among the shortcomings are the lack of competitive recruitment procedures free from political influence, the absence of independent auditing mechanisms, and a lack of budgeting transparency.

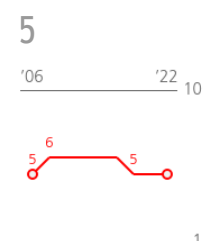
Policies are developed by relevant ministries, which commonly propose regulations that favor their sectoral management and administration. This often leads to a high level of policy incoherence. By the end of 2017, more than 5,000 policy documents were found to be in non-compliance with the law. In the 2020 review meeting of the Ministry of Justice, Prime Minister Nguyen Xuan Phuc emphasized the need to eliminate this phenomenon.

Coordination between government departments in policy development is inconsistent and lax. Policies relating to national security and defense are rarely verified. The Ministries of Public Security and Defense are states within a state, and enjoy extensive powers. Market-oriented policies can be approved only when those political and security gatekeepers benefit institutionally or personally, or both. Effective coordination in these cases smacks of either collusion or corruption. Even if consensus among various state organs has been achieved, implementation is usually ineffective due to the fragmentation of authorities and the decentralization of the system. The head of a line department in provincial governments is accountable to not only the provincial chief, but also the provincial party committee and the line ministry in the specific area of activity. Provincial government leaders are subordinate to the prime minister in the state hierarchy, but must also follow orders from provincial party leaders, who have quasi-equal status with the prime minister as members in the party's Central Committee.

Efficient use of assets



Policy coordination



A bright spot in 2020 is the policy coordination in the fight against the COVID-19 pandemic. The government established a National Steering Committee for the Prevention of Coronavirus, which is led by a deputy prime minister and coordinated by the Ministry of Health. The committee members are drawn from different government ministries and departments, including the Ministries of National Defense, Public Security, Foreign Affairs, Health, Education, Office of the Government, Office of the Central Committee, Finance, and Planning and Investment. All decisions are made by the committee in a transparent manner and effectively coordinated. Vietnam's success in containing the pandemic is greatly attributable to this policy coordination mechanism.

In 2013, the fight against corruption was entrusted to the Central Steering Anti-Corruption Committee (CSCAC), chaired by the CPV Secretary-General Nguyen Phu Trong. The national anti-corruption campaign has been further intensified since 2016, after Trong was elected to a second term as the CPV secretary-general.

On July 1, 2019 the government issued new regulations implementing its Anti-Corruption Law, to take effect on August 15, 2019. The public sector continues to be the main focus of these regulations, but regulations now extend into the sector of non-state enterprises that rely on public capital on a large scale – namely, publicly held companies and credit institutions.

However, as mentioned previously, there are still no independent auditing mechanisms, and transparency of budgeting and public procurement is low. Moreover, as in other “party-states” in Asia (and elsewhere), the fusion of party and state interests and the instrumentalization of anti-corruption measures for political interests and factional power struggles weakens the effectiveness of notable anti-corruption efforts.

At the year-end review meeting of the committee in 2020, which marked the 8th anniversary of the re-establishment of the Central Commission for Internal Affairs (the standing office of CSCAC), Trong reported that more than 11,700 cases associated with corruption, official promotion and the economy had been investigated, prosecuted and brought to court for first-hearing trials, of which 1900 were corruption cases involving 1,400 individuals. Despite this, corruption continues to be pervasive throughout the public sector. A member of the National Assembly recently complained to the government that corruption was rampant but seldom leads to punishment. High-ranking officials and party members are required to self-report their assets, but there is no independent and transparent mechanism in place to verify the source of assets.

Anti-corruption  
policy

5

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## 16 | Consensus-Building

The CPV rules Vietnam and virtually all political actors are under its control. The party rejects liberal democracy and effectively rejects party pluralism. Instead, it maintains a monopoly over political power under the banner of “socialist democracy” which, according to the CPV, is inclusive participation under the communist party’s exclusive leadership. CPV leaders have vowed that they will never give up pursuing their path to socialism or the principle of party dictatorship.

After 35 years of *Đổi Mới*, CPV leaders are more confident in pursuing a market economy by actively joining international organizations and signing free trade agreements. Within the party/state hierarchy, actors may not necessarily agree on how to undertake economic reforms, but there is consensus that only high economic performance can enhance the CPV’s legitimacy, keep the party in power, and consolidate its authoritarian role.

There are two groups of reformers, differing fundamentally in their orientation. Both include party members, non-party members, ex-government and army officials, intellectuals, journalists, and civil society activists. One group publicly criticizes the ruling party and advocates for democratization. The other group, while supporting a multiparty system in principle, seek to ally with the CPV to bring in gradual regime transformation. These actors are generally labelled by the CPV as “anti-party and anti (socialist) regime.” Members of both groups, especially the former, are subjected to criminal charges under the penal code. Party members and ex-government officials who join either of the two groups are described as having become “decadent in [socialist] ideology, self-evolved and self-transformed.” They are marginalized from party activities, silenced, and expelled, as was the case of Chu Hao, a former vice-minister of science and technology.

Since Vietnam embarked on the *Đổi Mới* (or renewal) policy 35 years ago, conflicts have emerged in different areas, including the economic, political and ideological, cultural, lifestyle and ethics fields. At the grassroots level, there are often social conflicts between citizens, and between citizens and local authorities over mismanagement of land or corruption. However, the central government has always successfully managed these conflicts so that they have not developed into a national level issue. Still, many formerly high-ranking government officials have pointed out that these conflicts indicate a failure of the party’s conflict management ability. The party has never admitted its fault and occasionally ascribes these conflicts to what it calls “hostile forces” outside the country, including political parties established by overseas Vietnamese that call for political reforms and democratization in Vietnam.

Consensus on goals

6

'06 \_\_\_\_\_ '22 10



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Anti-democratic actors

2

'06 \_\_\_\_\_ '22 10



1

Cleavage / conflict management

6

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The country has seen the emergence of a nascent civil society, although the conventional definition of this term differs from societal associations in Vietnam. Over the course of the last decade, NGOs formally autonomous of the party-state have participated in policy advocacy, formulation, and implementation, and monitoring and evaluation. Sporadic demonstrations over China's aggression in the South China Sea (or East Sea), and peasant protests, are both examples of how non-state forms of social organization have exerted varying degrees of influence on the government's policies and policy agenda.

The party-state draws a boundary for civil society participation. CSOs who receive foreign support and who are involved in any activities relating to "politically sensitive" topics such as legislative and legal issues, human rights, democracy and political reforms, are legally required to seek approval from the authorities. The party-state in practice adopts flexible and pragmatic approaches to civil society participation. The party-state neither formally recognizes civil society as a concept, nor candidly rejects the latter's participation. It opportunistically maintains this status quo, provided the power of the CPV and the survival of the authoritarian regime is not challenged.

In the last five years, civil society activists and organizations have used social media platforms to advance activities that sometimes influence policymaking. For instance, in 2019, the government attempted to push forward a draft law on the creation of special economic zones in a province bordering China. The draft law faced severe criticisms before and during a debate on the floor of the National Assembly. The protests influenced the voting and the draft law was withdrawn. However, the past year has seen the government enhance its control over social media and the internet, narrowing the online space for civil society to operate in.

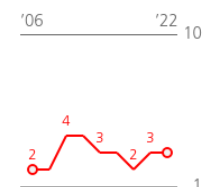
In 2020, Vietnam faced severe and deadly natural disasters. Landslides caused by heavy rain in the central part of the country caused human loss and property damages. Many individuals and civil society organizations mobilized monetary contributions from society to assist victims of the disasters. This shows an active associational life in the country, but one largely limited to social and economic domains.

During the 1950s and 1960s Northern Vietnam, under the rule of the CPV, conducted class struggle campaigns and internal political purges that killed and imprisoned hundreds of thousands of innocent victims. However, a public apology to the victims has never been made.

The North-South civil war between 1954 and 1975, which ended in victory for the communist north, left a deep national wound. In 2004, the CPV adopted for the first time a public document, known as Resolution 36 NQ/TW, which sets out the party-state's policy to overseas Vietnamese, including those who were on the other side (south) of the war. The document generally calls for unity of all Vietnamese and implicitly calls for reconciliation between the "victors" and the "losers" in the war.

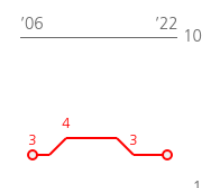
### Civil society participation

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### Reconciliation

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As a gesture of reconciliation, in 2006, the government agreed for the military cemetery of the former southern regime to be reopened, enabling relatives of the fallen soldiers to visit and renovate the graves of their beloved. Former high-ranking government officials of the southern regime, living abroad, are welcome to return to the country. Nevertheless, a former chairperson of the government's Committee for Overseas Vietnamese Affairs recently acknowledged that more than 40 years since the end of the war and 15 years since the CPV Resolution, the wounds remain raw. In 2020, the 45th anniversary of the end of the war was effectively ignored, perpetuating the pattern of silence.

## 17 | International Cooperation

Over the last two decades Vietnam has been among the leading recipients of overseas development assistance in Asia. Overall, this support has contributed significantly toward the achievement of socioeconomic development goals set out by the political leadership, and has helped Vietnam in its transformation from poverty to lower middle-income status. However, economic growth has served to bolster the country's authoritarian political structure, which has undergone little change. Without a regime of checks-and-balances in place, the existing administrative apparatus has allowed pervasive rent-seeking and corruption, including in foreign-funded projects. There have been calls for institutional reforms or what is branded as *Đổi Mới 2.0* from both domestic and international communities if the political leadership wants to bring the country up to a higher level of development and make effective use of international support and deeper international integration.

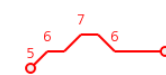
Vietnam has gained credibility in the international community during the review period. The government in general honors its commitments as a member party to myriad bilateral and multilateral agreements, as well as international treaties in numerous fields, including but not limited to climate change, nonproliferation of nuclear weapons, arms control, trade, and human rights. In 2019, Vietnam was again elected to the UN Security Council for the 2020/21 term. This is the second time the country has been elected to this body. In 2020, Vietnam was the chair of ASEAN and began its first year of non-membership of the UNSC. Vietnam was hailed for successfully leading ASEAN through the COVID-19 pandemic, as well as making effective contributions to the work of UNSC.

In 2019, the government drew a global spotlight on Vietnam when it hosted the second summit between U.S President Donald Trump and North Korean leader Kim Jong Un in Hanoi. A point of note is that the political leadership has managed to convince the U.S to recognize and respect the legitimacy of its current political regime, implicitly enhancing the legitimacy of the CPV. However, the party-state has a very poor record of human rights violations. That the government continues to arrest and imprison bloggers and social media posters who advocate peaceful political

Effective use of support

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Credibility

8

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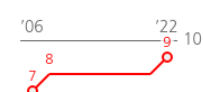
reforms has resulted in the state being named an “enemy of the internet.” While many countries are still struggling with the COVID-19 pandemic, Vietnam has gained much credibility for its success in containing the pandemic. The WHO heralds Vietnam as a good model in managing the pandemic. More importantly, Vietnam turned the pandemic into an opportunity to enhance diplomatic relations with countries around the world. Its COVID-19 diplomacy has consolidated the country’s position in the region and the world.

Vietnam’s foreign policy since *Đổi Mới* in the late 1980s has prioritized maintaining warm relations with neighboring countries, especially Laos, Cambodia and China. Vietnam maintains a special friendship with Laos for example, while promoting a comprehensive strategic partnership with China. Hanoi has also enhanced bilateral relations with other regional countries. Since joining the Association of Southeast Asian Nations (ASEAN) in 1995, Vietnam’s role in this regional grouping has increased. Thus far, it has established a strategic partnership with Singapore, Thailand, Indonesia, Philippines, Malaysia, China, Japan, South Korea and with India.

Vietnam’s successful chairmanship of ASEAN in 2020 in the midst of the COVID-19 pandemic has given it a leading role in the organization. Its contributions to the building, rule-setting, and consolidation of unity of the group, as well as the expansion of the group’s relationship with non-regional countries have been appreciated. At a broader level, Hanoi has actively and proactively participated in other regional political and economic mechanisms, such as the Asia-Pacific Economic Forum (APEC), the Comprehensive and Progressive Trans-Pacific Partnership (CP-TPP), and more recently, the Regional Comprehensive Economic Partnership. As detailed in 17.2 above, Vietnam’s political leadership not only sees the expansion of regional cooperation as an economic benefit, but also as a way to enhance the legitimacy of the regime. As always, the CPV is in the difficult position of navigating pressure from an increasingly expansionist Beijing while maintaining its steadfast commitment to a rules-based regional order. Notably, Vietnam still has disputes with China in the South China Sea (or East Sea, by its Vietnamese name) and with three other Southeast Asian nations: Malaysia, the Philippines and Brunei.

Regional  
cooperation

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## Strategic Outlook

From an institutional perspective, Vietnam faces several key problems. These are: (1) a lack of clear hierarchy and assignment of roles and responsibilities both within the central government agencies and between the central and local government in formulating and implementing policy, including overlapping mandates with conflicting rules and decisions; (2) an absence of merit-based management of public servants, which has adverse effects on the quality of public administration; (3) a gap between rhetoric and practice concerning citizen's ability to observe, participate, and influence the decision-making process; (4) election processes and mechanisms that do not allow for true citizen representation, and (5) the absence of a system of effective checks and balances between the three branches of government. Furthermore, corruption is rampant at all levels, despite the fact that the CPV has accelerated an anti-corruption campaign with remarkable outcomes in the past five years. Basic freedoms and human rights such as the freedoms of speech, press and assembly are frequently violated. Social ethics is degrading due to unsystematic education reforms. Inequality is rising between and among social groups.

The CPV has set out ambitious development goals for the next five, 10 and 25 years: by 2025, Vietnam is to be a developing country with a modernized industry and an income above the lower middle level; by 2030, marking the 100th anniversary of the founding of the CPV, Vietnam is to be a developing country with a modern industry and a high middle income; and by 2045, commemorating the 100th anniversary of the founding of the People's Democratic Republic of Vietnam (which is now the Socialist Republic of Vietnam), Vietnam is to be a developed country with a high income level.

To achieve these goals, an all-embracing and bold approach is necessary. In terms of economic development, it is imperative to carry out reforms that emancipate the forces that will improve productivity growth. In the institutional domain, the political leadership understands that there is a strong link between good governance and high economic performance. Good governance means accountability, transparency and inclusion in the political system.

Currently, the incapable public administration, the fragmentation of responsibilities between government levels and agencies, and the lack of checks and balances constrain the quality of the state. Therefore, the political leadership requires a strong political will to enact institutional and political reforms. The priority is to develop a meritocratic bureaucracy, strengthen state accountability and enhance citizen participation in the decision-making process.

In summary, the outlook for the party/state in the coming decades is promising, though the political leadership needs to strategically deal with the relationship between the state and society, the state and the market, and the market and society. The outlook for Vietnam's people is broadly promising but will improve further with progress in instituting truly democratizing reforms and, alongside this, full respect for and promotion of basic human rights.