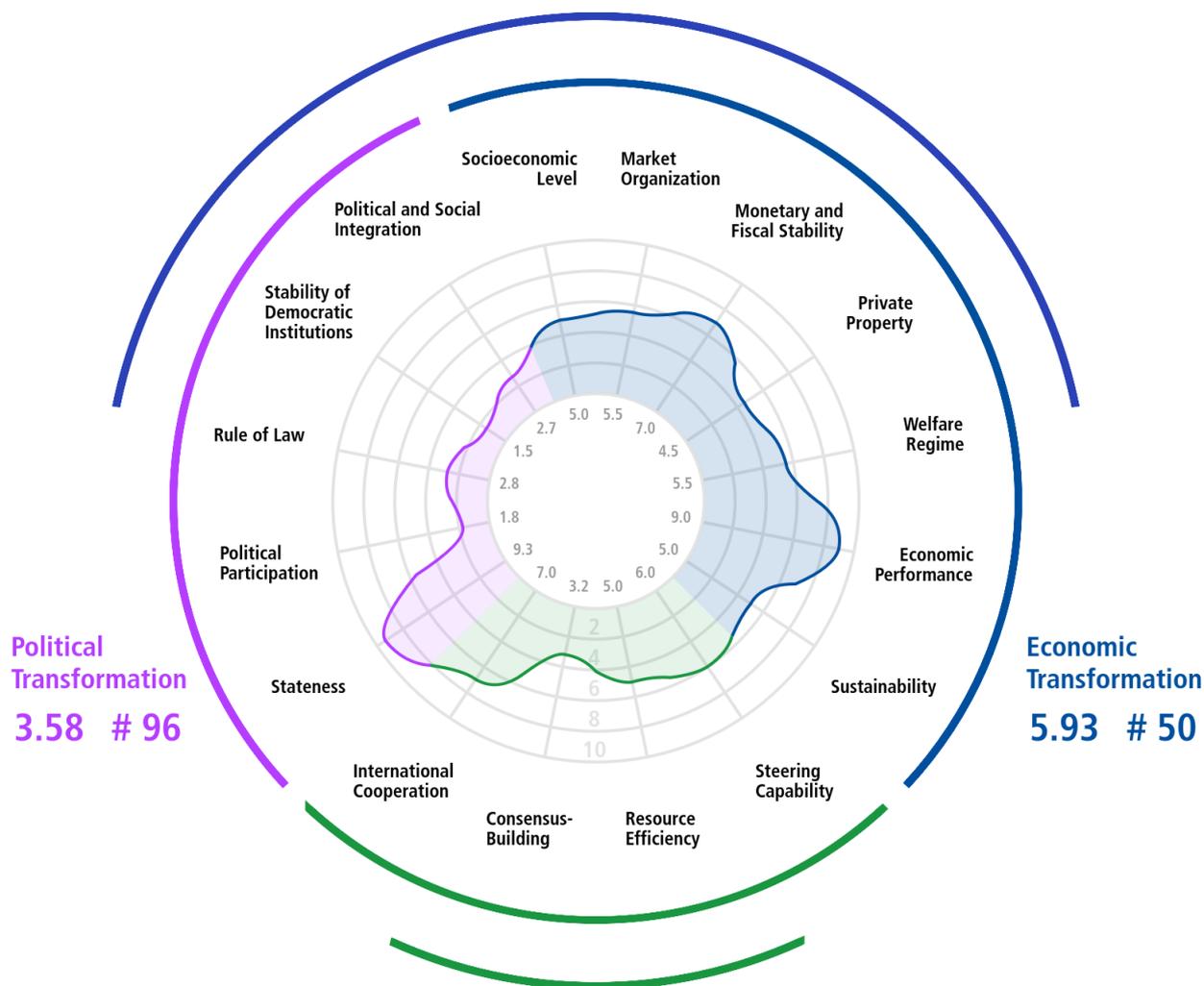


Vietnam

Status Index

4.76 # 79

on 1-10 scale out of 137



Political Transformation
3.58 # 96

Economic Transformation
5.93 # 50

Governance Index

4.71 # 66

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. 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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2026 Country Report – Vietnam. Gütersloh: Bertelsmann Stiftung, 2026.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sebastian Plate

Phone +49 5241 81 81263
sebastian.plate@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	101.0	HDI	0.766	GDP p.c., PPP \$	16386
Pop. growth ¹	% p.a.	0.6	HDI rank of 193	93	Gini Index	36.1
Life expectancy	years	74.6	UN Education Index	0.729	Poverty ³	% 4.2
Urban population	%	40.2	Gender inequality ²	0.299	Aid per capita \$	8.3

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Despite a leadership upheaval, Vietnam remains under the authoritarian rule of the Communist Party of Vietnam (CPV), which maintains a tight grip on power and suppresses political dissent.

Following the death of General Secretary Nguyen Phu Trong, General Secretary To Lam – a former public security minister – assumed the leadership in August 2024. To Lam also briefly assumed the dual position of state president. The CPV’s leadership remains steadfast in its commitment to political monopoly, emphasizing urgent reforms aimed at improving efficiency and achieving its national development goals by 2045. These include plans to drastically streamline the political system’s apparatus and organizations.

Throughout 2023 and 2024, the CPV has continued its vigorous anti-corruption campaign, which has become a prominent feature of its governance strategy. There have been high-profile arrests and dismissals of senior officials involved in major corruption scandals, resulting in the resignations of several Politburo members. Notably, in 2024, the scandal involving tycoon Truong My Lan and the alleged embezzlement of \$12.5 billion became one of the highest-profile corruption cases to date. While the CPV seeks to strengthen its narrative of accountability, these developments once again demonstrate that corruption permeates the entire system. The anti-corruption campaign is one of the biggest sources of uncertainty for Vietnam’s further development. On the one hand, the anti-corruption campaign has inflicted economic harm, estimated at \$2.5 billion in unclaimed foreign aid for the period from 2022 to 2024. On the other hand, it functions as a tool for internal power struggles, while failing to address the systemic corruption inherent in Vietnam’s authoritarian structure. Moreover, Vietnam grapples with pressing challenges, including rising inequality, environmental degradation and the ever-increasing disenfranchisement of civil society, which in turn reduces opportunities to hold rulers to account. The CPV has a poor record on human rights, and has severely restricted civil liberties

through continued repression of academics, scientific experts, activists, advocates and civil society actors. In addition, the state has intensified measures to control online expression through stringent cybersecurity laws enacted since 2020.

Vietnam's economy grew 7.09% in 2024, largely driven by the service sector. Despite this growth, inflation rose to 3.63%. Disbursed FDI reached a record high, but registered FDI declined slightly. The labor market showed improvement, with the unemployment rate declining to 2.24%. Average monthly incomes for contracted workers rose to \$304, reflecting a slightly positive shift in employment conditions. Yet, economic stagnation persists for certain groups, including dispossessed farmers, the underemployed and unemployed, migrants, factory workers and members of various ethnic minorities. A gender pay gap and considerable gap in educational attainment persist, which means that women are not benefiting equitably from economic progress.

Vietnam's economic system is best described as "crony capitalism" ("clientelism"), in which a "state-party-business alliance" occupies the "commanding heights" in politics and economics. Vietnam's claim to be a "socialist republic" and a "market economy with socialist orientation" is a political myth.

Internationally, Vietnam's "bamboo diplomacy" seeks to balance relations with both the United States and China. This approach risks compromising national interests, particularly in territorial disputes in the South China Sea. Vietnam's increased role in the ASEAN, however, fosters regional cooperation and economic integration through participation in trade agreements such as the Regional Comprehensive Economic Partnership.

In summary, Vietnam's progress is marked by economic growth but hampered by more repressive authoritarian governance, with a balance sheet that will continue to deteriorate amid worsening environmental destruction and human rights concerns.

History and Characteristics of Transformation

Vietnam transformed from a country ravaged by two generations of war, during which French and U.S. forces were defeated, to a rapidly developing market-oriented economy. The CPV, formed in 1930, has been the central actor in this transformation, and has navigated periods of intense conflict, ideological shifts and economic restructuring. Understanding Vietnam's trajectory requires examining the CPV's role, the interplay of internal and external forces, and the evolving nature of the country's political and economic systems.

The CPV's early decades were defined by anticolonial struggle, culminating in the defeat of French colonial forces in 1954. However, the Geneva Accords resulted in the partition of Vietnam, setting the stage for the protracted Vietnam War. During this period, the CPV consolidated its power in the north, establishing a state-socialist system characterized by central planning, collectivized agriculture and a highly centralized political structure, albeit with varying degrees of moderation and accommodation. The reunification of Vietnam in 1975 under communist rule marked the beginning of a nationwide implementation of this state-socialist model.

The post-unification period was marked by the expansion of state-socialist institutions across the country. However, it also coincided with international isolation, wars with Cambodia and China, and internal economic mismanagement. These factors led to a severe socioeconomic crisis by the mid-1980s. Rampant inflation, food shortages and widespread poverty threatened the CPV's rule and legitimacy. In response to this mounting crisis, the CPV formally adopted an economic reform program known as *Đổi Mới* (Renovation) in 1986. This marked a significant shift in economic policymaking, moving away from central planning toward a more market-oriented economy.

Although implementation was initially slow and halting, *Đổi Mới* gradually introduced several key reforms – including agricultural reform, price liberalization, trade liberalization and reform of state-owned enterprises (SOEs) – that boosted agricultural productivity. As internal trade barriers fell and the country opened to foreign investment, Vietnam's integration into the global economy accelerated.

Overall, *Đổi Mới* had profound consequences, spurring rapid economic growth driven by FDI, mainly in export-oriented manufacturing, particularly in the garment, footwear and electronics sectors. Vietnam's economy has proved remarkably resilient, averaging about 6% growth in recent decades.

Although economic reforms under *Đổi Mới* were substantial, political reforms were minor. Efforts to “democratize” the political system largely focused on improving intraparty processes and decentralizing authority to the local – especially the provincial – level, allowing for the appearance of popular participation in existing political institutions. In fact, the CPV has maintained its one-party rule and the space for genuine political opposition has remained nonexistent.

Nonetheless, since the mid-2000s, Vietnam has seen the emergence of a nascent civil society. Since General Secretary Nguyen Phu Trong's second term, crackdowns on civil society have intensified. Legal restrictions have been imposed on the operations of NGOs and other CSOs.

The CPV's anti-corruption campaign has intensified since 2011 but has not eliminated the problem. This would require fundamental institutional reforms that address the root causes of corruption. In addition, Vietnam has expanded its bilateral relations worldwide and deepened its integration into the global economy. Since the mid-1990s, the country has joined numerous significant international trade agreements and organizations, including the ASEAN, ASEAN Free Trade Agreement, WTO, Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), EU-Vietnam Free Trade Agreement and Regional Comprehensive Economic Partnership. These agreements and organizations have provided access to vast new markets, and stimulated both foreign and domestic investment.

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

Since the unification of Vietnam in 1975, the CPV has maintained a state monopoly on the use of force throughout the country. Occasional protests by civil society groups, ethnic minorities and religious groups are typically met with swift suppression by the CPV and its security forces. A fatal armed conflict occurred in June 2023 in Vietnam's Central Highlands, a region home to mostly Christian ethnic Degar (part of the indigenous Montagnard group). The conflict resulted in the deaths of nine people, including four police officers, two municipal officials and three civilians. Despite this, the Central Highlands remain firmly under state control.

The majority Kinh (Viet) population generally accepts, and supports the state and its citizenship framework.

Vietnam is home to 53 recognized ethnic minority groups. Evidence suggests that, depending on region, ethnicity and age, members of minority groups do not fully align with the state's dominant narrative. Ethnic minorities, such as the Hmong and Montagnards, feel marginalized and face pressure to assimilate culturally, leading to varying levels of acceptance of the state's legitimacy. According to Human Rights Watch, the violent clashes in the Central Highlands in June 2023 are attributable to repressive and assimilationist policies that aim to bring indigenous groups more in line with the hegemonic norms of the majority and the state.

Regarding access to citizenship, certain ethnic minorities encounter bureaucratic barriers, particularly in remote areas where populations face economic and social challenges. Additionally, individuals and groups that oppose the ruling CPV often contest the state's legitimacy, asserting that the government does not represent their interests or provide true citizenship rights. Those individuals and groups deemed "reactionary" or "dissidents" face significant repression, including harassment, surveillance, arbitrary detention and imprisonment.

Question
Score

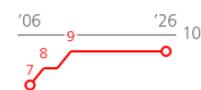
Monopoly on the
use of force

10



State identity

9



Vietnam's legal order and political institutions are defined by secular norms and positive law, and the state maintains a formal separation from religious doctrine. The constitution of Vietnam establishes a secular state, and grounds governance in Marxist-Leninist principles and socialist legality. The legislative framework is secular, focusing on laws that govern civil rights, social relations, economic activities and public order, without the direct incorporation of religious organizations. However, this does not mean the state refrains from intervening in religious affairs or regulating religious freedom. Religion does at times intersect with politics.

Vietnamese authorities also deliberately recruit religious individuals into the party. These individuals are assigned to villages and hamlets, where the communist presence is weak. However, the aim is to monitor and control religions. There is no evidence that religious party members promote the formal integration of religious norms into the legal framework.

Basic administrative structures exist, and are developing at the central, provincial, district and commune levels. Basic public services are provided throughout most of the country, with variations in efficiency and accessibility across provinces and cities.

Vietnam's legal system is a centralized four-tier system, with the People's High Courts, Provincial People's Courts and District People's Courts operating under the Supreme People's Court. The Ministry of Public Security is responsible for law enforcement. Police forces are present at local, provincial and national levels, enabling law enforcement to function relatively effectively in urban and rural areas. Challenges remain regarding transparency and public trust, but efforts continue to reform policing and enhance accountability. The General Department of Taxation oversees tax collection, regulation and compliance. To make tax processes easier and more user friendly, the government has introduced several initiatives that adopt a taxpayer-centered approach.

In September 2024, Hanoi became the first locality in Vietnam to pilot a public administration service center, enabling citizens to access public services more conveniently. This initiative reflects a broader effort to streamline administrative processes and enhance public service delivery in line with national resolutions.

Vietnam's internet landscape is thriving, with 77 million internet users (79.1% of the population) and 70 million social media users (71% of the population). Additionally, there are 161.6 million mobile connections, surpassing the population, at 164% coverage.

Transportation infrastructure has also seen significant development, involving road networks, railways and airports to facilitate mobility. In November 2024, the Hanoi Metro Line was officially inaugurated. It offers environmentally friendly transportation and will alleviate traffic congestion. In December 2024, Ho Chi Minh City's first metro line also began operating. Both projects, however, took more than a decade to complete. Meanwhile, additional underground railway sections are still under construction.

No interference of religious dogmas

10



1

Basic administration

8



1

Access to clean water in Vietnam's rural areas has shown notable improvement, increasing from 17% in 1993 to 51% in 2020. The Statistics Office of Vietnam highlights further substantial improvements across the country in 2023. Notably, 98.6% of households now have access to clean water and 96.7% have hygienic toilets, showing incremental increases of 0.3% and 0.5%, respectively, compared with 2022.

Despite these gains, there are still significant gaps with regard to water, sanitation and hygiene (WASH) services, with more than seven million children lacking access to clean water and sanitation at schools. Nearly half of the country's population cannot access safely managed drinking water and approximately three million people still practice open defecation, which contaminates water sources. Additionally, 16 million people do not have hygienic latrines.

The education system in Vietnam is state-run and provides compulsory education for children. In 2023/24, the enrollment rate for preschool education reached 72.6%, marking a 2.2% increase over the previous year. Over the past few decades, Vietnam has made significant advancements in educational attainment, nearly achieving universal primary education in the early 2000s, with a net enrollment rate consistently above 98%. However, differences do exist along socioeconomic lines.

2 | Political Participation

National elections are held every five years for the National Assembly, the highest legislative body. Although elections are conducted, they are not free or fair due to the CPV's control over candidate selection, media access and the electoral process. While universal suffrage is ensured for citizens aged 18 and older, the CPV is the only legal political party allowed to contest, significantly restricting political pluralism.

Voting in these elections is conducted by secret ballot.

Candidates can nominate themselves, but many independents fail to appear on ballots because of CPV vetting procedures; nominees from mass organizations are typically aligned with the party. Although elections are held to fill positions in the National Assembly and local councils, the CPV exerts strong influence over the elections, limiting genuine competition.

The election-management body operates under CPV control, raising questions about its impartiality. Voter registration processes exist, but concerns about transparency persist because candidate registration requires party approval. Complaints about polling procedures, vote counting and result verification highlight the system's lack of transparency.

Additionally, state control of media outlets restricts fair access for opposition or independent candidates, and limits political discourse. Although efforts are made to ensure polling accessibility, access varies, and there are reports of intimidation and pressure on voters, particularly among dissenting voices.

Free and fair elections

2

'06 '26 10



Governed by the principle of democratic centralism, decision-making mainly takes place within the Politburo and the Central Committee, with all heads of government ministries, ministerial agencies and provincial party committees required to be members of the Central Committee. This structure aims to ensure centralized authority and to facilitate the CPV's leadership from the central level to grassroots governing bodies.

Although Vietnam holds elections for National Assembly representatives, the authority of these officials is severely limited by the CPV's centralized decision-making. Representatives of the National Assembly must operate under the party's authority. Since the CPV is the only legal political party, all elected officials are party members obligated to adhere to its policies and directives. This environment restricts their ability to address their constituents' specific interests, particularly when doing so would directly contradict the party's directives.

Additionally, the military exerts significant influence on Vietnam's political landscape. Senior military leaders maintain considerable influence over national defense and security policies, thereby shaping elected officials' decision-making. The close relationship between the CPV and the military can lead to external pressures that further constrain the autonomy of political representatives.

Economic elites and business interests have formed what is referred to as a "state-party-business alliance." With ownership of influential private businesses or SOEs, this alliance wields potential veto power within the Vietnamese governance framework. When decisions made by elected officials conflict with the interests of corporations or influential business figures, these entities can lobby for favorable conditions or exert pressure on political representatives. This dynamic limits the ability of officials to govern autonomously and aligns governance with the priorities of those with economic and political power rather than the broader public interest.

Although the Vietnamese constitution guarantees the right to freedom of association and assembly, these rights are significantly restricted and, if at all, granted on the basis of an "ask-and-give" mechanism.

While civil society groups exist, they must operate under the oversight of the government and are aligned with government policies. Independent organizations perceived as challenging the status quo or the authority of the CPV – even if they are not – are prohibited.

The government employs intimidation and harassment to deter citizens from exercising their rights to association and assembly. Peaceful demonstrators can face arbitrary arrest, detention and imprisonment, particularly if their gatherings are perceived as dissent against the state. Excessive force may be used during protests or when authorities seek to disperse gatherings. Additionally, the government's criteria for evaluating requests for permits to assemble or associate are often opaque; applications for permits to hold public gatherings are generally denied, especially if the assembly could be seen as politically sensitive or against the interests of the state.

Effective power to govern

2

'06 _____ '26 10



Association / assembly rights

2

'06 _____ '26 10



Vietnam has six state-sponsored umbrella organizations under the direct management of the CPV. These include the Vietnam Fatherland Front, Vietnam Women’s Union, Vietnam General Confederation of Labor (VGCL), Vietnam Farmers’ Union, Ho Chi Minh Communist Youth Union and the Vietnam Veterans’ Association.

Only organizations that operate under the umbrella of the government have legal status. Other organizations are not allowed.

Vietnam began drafting the Law on Association in the early 1990s, but – despite two decades of discussions – the law has not been passed.

Based on adaptations of the 2019 Labor Law, so-called workers’ representative organizations that are independent of the VGCL are now officially permitted. They are also referred to as internal employee organizations. However, while the law represents a step toward an improvement for interest groups, as of December 2024, no internal employee organizations had been successfully established, suggesting that the intended function has not yet been realized in practice.

In 2023, Nguyen Van Binh – an official at the Ministry of Labor, Invalids and Social Affairs, who was instrumental in efforts to ratify an International Labour Organization (ILO) convention guaranteeing workers’ rights to form independent unions – was arrested for allegedly revealing state secrets. This followed a July 2023 government directive classifying independent labor unions as a national security threat.

A new decree (126/2024/ND-CP) issued in October 2024 stipulates the organization, operation and management of associations. The document implicitly suggests that attempts to form groups that challenge the government could face severe restrictions. The decree also lays out a detailed, complex process for registering associations, leaving room for control and arbitrary application of regulations given the CPV’s dominance.

Vietnam’s constitution nominally protects freedom of expression. However, extensive restrictions, state censorship and a climate of intimidation severely curtail this right for citizens, organizations and the media. Vaguely worded laws, such as those in the Press Law, Publication Law and Criminal Code, criminalize a broad range of activities deemed to oppose the state or its policies, including vaguely defined offenses such as “propagandizing against the state,” disseminating “anti-socialist” content and “abusing democratic freedoms.” This ambiguity allows for the arbitrary suppression of public criticism. The 2023 arrests of four environmental defenders further underscore the CPV’s repressive measures, highlighting the government’s crackdown on environmental concerns.

Additionally, the state engages in pervasive censorship of media content, controlling what can be published or reported. Journalists and media outlets frequently practice self-censorship out of fear of repercussions, which further stifles public discourse, as

Freedom of expression

1

'06 '26 10



content critical of the government or addressing sensitive topics is typically suppressed. Independent media outlets face severe restrictions and the majority of media operate under government influence, resulting in a uniform narrative. In June 2024, prominent independent journalist Truong Huy San was detained and charged with “abusing democratic freedom.” In addition to the CPV’s influence, the media are under pressure to assert themselves in a capitalist market for news.

Moreover, a new cybersecurity decree (Decree No. 147/2024), effective December 25, 2024, imposes stricter controls on online activities, including data storage mandates for international social media platforms and requirements for user authentication. The decree also allows for rapid content removal deemed “anti-state.”

3 | Rule of Law

Vietnam’s constitution formally establishes a separation of powers among the legislative, executive and judicial branches. However, in practice, the separation of powers exists only on paper because of the unrestricted influence of the CPV and the integration of party authority within state functions. For example, the head of the executive branch is also chairman of the party committee, while a minister also serves as the chief secretary of the ministry’s party committee. The constitution delineates the executive (headed by the president and the government), the legislative (the National Assembly) and the judicial branches (the Supreme People’s Court and local courts).

Each branch has designated functions: the National Assembly is responsible for legislation, the government executes laws, and the judiciary interprets and applies them. However, the practical effectiveness of this formal separation is limited because the legislative and executive branches are heavily intertwined. Many members of the National Assembly are also part of the CPV leadership. As a result, their autonomy, and capacity to operate independently and impartially are nonexistent.

The CPV maintains control over all branches of government, which diminishes any one branch’s ability to check another effectively. The party can also intervene in government processes and judicial decisions, which further undermines the rule of law. For example, the executive can influence legislative actions and appointments within the judiciary. The CPV can also override legal provisions through directives. As a result, the judiciary lacks independence and impartiality, as it is subject to party oversight. Party loyalty further hampers the ability to hold executives accountable.

In 2024, the lack of separation of powers and the further concentration of power remain intact under General Secretary To Lam, who is also the secretary of the Central Military Commission, making him currently Vietnam’s most powerful leader.

Separation of powers

2

'06 '26 10

1 2 1

The judiciary's ability to act independently of political considerations is limited. The National Assembly Standing Committee determines the number of judges, indicating political influence in the appointment process. The process for selecting and appointing judges, and their subsequent terms of office are subject to laws and regulations. However, judges and prosecutors must all be members of the CPV and are typically selected on political grounds. This politicization of appointments undermines impartiality and independence in the judiciary, prioritizing loyalty to the party over adherence to the law.

Moreover, legal education faces several challenges, including a curriculum dictated by the government, limited opportunities for the practical application of legal theory and a lack of international collaboration. These shortcomings indirectly contribute to a less independent and effective judiciary, and imply issues of professionalism.

The organization and administration of courts often suffer from inefficiencies and a lack of transparency. Judicial proceedings can be slow and the rights of defendants are not always adequately protected, especially in cases where defendants are considered “anti-state propagandists” or “dissidents.”

There are legal provisions for prosecuting public officials who abuse their positions. These laws outline penalties and mechanisms for prosecution. However, enforcement is inconsistent and undermined by political influence. Accountability, if it exists, is selective.

In 2021, the government intensified the fight against corruption and launched several high-profile anti-corruption campaigns to combat corruption within party ranks and the public administration. These campaigns led to the prosecution of prominent officials, indicating a willingness to address corruption issues. However, these efforts are often seen as selective, targeting individuals based on political rivalries rather than part of a comprehensive strategy to uphold the rule of law.

Cases against low-ranking officials were more often pursued, whereas powerful individuals escaped accountability. This created a perception of impunity among higher-ranking officials and undermined the public's trust in the CPV's rule. Yet the situation seemed to change in 2023/24, when two presidents resigned amid the country's anti-corruption campaign. In January 2023, former President Nguyen Xuan Phuc resigned following allegations of corruption linked to COVID-19 pandemic control measures. In 2024, his successor, Vo Van Thuong, resigned after only a year in office, following weeks of rumors suggesting that he was implicated in corruption scandals.

Although these events have increased, to some degree, public contempt for corrupt practices, societal pressures remain limited. Media coverage of corruption cases is controlled and critical reporting can lead to prosecution, such as in the case of blogger Duong Van Thai, who was sentenced to 12 years in prison.

Independent judiciary

2

'06 _____ '26 10



Prosecution of office abuse

4

'06 _____ '26 10



In 2023, the CPV disciplined more than 24,000 party members. However, a party official said only 2% (459 members) of these disciplinary actions were due to corruption. The Central Committee also disciplined 19 high-ranking officials, including six for asset declaration violations. Since the beginning of the 13th National Congress (2021), the party has disciplined 105 central-level officials, including 22 current and former Central Committee members. In addition, nearly 360 local officials were disciplined, and government agencies recovered or initiated actions to reclaim approximately VND 219 trillion in funds. Despite the party's claims of intensified anti-corruption efforts, the country remains significantly affected by corruption.

Vietnam's legal framework provides a foundation for the protection of human rights and citizens' rights, but violations occur regularly, particularly when those rights conflict with the interests of the CPV. Citizens face challenges when seeking legal redress for violations, reflecting gaps between the rights guaranteed in law and the realities experienced in practice. There are persistent reports of inhumane treatment; police harassment and brutality at protests; arbitrary detention; denial of fair public trials; and infringement of the privacy of activists and members of CSOs.

Although there are legal channels available for citizens to seek remedies for violations of civil rights, their accessibility and effectiveness are questionable. Access to justice is often limited by socioeconomic factors. Marginalized groups, including the poor, religious and ethnic minorities, frequently face significant barriers to legal assistance and representation. Political dissenters are particularly vulnerable to retribution and discrimination.

Reports from INGOs highlight a broader pattern of increased harassment and persecution targeting democracy and human rights activists as well as climate defenders working in NGOs and think tanks. This points to a notable shift in tactics that now targets not only voices considered anti-state but also those involved in environmental policy advocacy and civil society mobilization more broadly.

Vietnam has made progress in addressing discrimination based on gender and sexual orientation in recent decades, with legal frameworks promoting gender equality and increasing visibility for the LGBTQ+ community, such as the Law on Gender Equality (2006), and the Law on Domestic Violence Prevention and Control (2007). However, significant challenges remain, including workplace inequality for women and the lack of legal recognition for same-sex relationships.

Vietnam claims to respect religious freedom. Yet the CPV's control over state-sanctioned religious organizations severely undermines genuine religious freedom for independent groups and individuals. International reports highlight numerous instances of persecution, including arrests, imprisonment, property seizure and restrictions on religious practices.

Civil rights

3

'06 '26 10



4 | Stability of Democratic Institutions

Institutions nominally associated with democracy, such as a representative legislature and local representative organizations, exist formally under the Vietnamese communist system. The National Assembly and the People’s Councils at the local level, however, function within the highly constrained single-party system controlled by the CPV. These institutions primarily serve to implement CPV policies rather than act as independent, democratic governing bodies. The National Assembly, for instance, typically ratifies decisions made by the party and has limited power to challenge or amend legislation independently.

The legitimacy of existing government institutions in Vietnam varies among actors. The CPV has more than 5.3 million members, suggesting that this 2% of the population is committed to its institutions. The police and military are integral to the existing institutions because of their alignment with the Party’s objectives and their constitutionally guaranteed role as the “shield and sword” of the Party and its rule. Continuous economic growth, political stability and anti-corruption initiatives help uphold the state’s overall legitimacy.

However, among the general populace, perceptions of legitimacy vary. CSOs and segments of the public question the government’s legitimacy because of the lack of political pluralism, representation and responsiveness. Activists and civil society actors often experience governmental structures as coercive.

5 | Political and Social Integration

The CPV does not permit a multiparty system or allow any opposition parties. Vietnam, however, possesses a fairly institutionalized single-party system with rootedness in society and a high level of political stability. Nevertheless, interest-based rather than ideological camps, as well as internal party disputes within the CPV, vary over time.

Since the CPV’s founding, the party has built strong institutional roots and penetrated society through party committees and mass organizations at all levels of the state and society. Yet societal interests are not represented beyond those the CPV endorses. Organizations aligned with the party, such as mass organizations and state-sanctioned groups, serve mainly to mobilize support rather than to reflect diverse societal interests. Clientelism dominates, with relationships between voters and the party revolving around patronage and the provision of services or benefits in exchange for political loyalty.

Performance of democratic institutions



Commitment to democratic institutions



Party system



Party system



Party system



There are various interest groups in Vietnam. However, their autonomy and effectiveness in mediating between state and societal interests are significantly limited. While state-authorized organizations may collaborate on initiatives that align with government objectives, any independent group that challenges Party policy is suppressed. In addition, cooperation between groups is rare, restricted and controlled. It is common for the heads of associations to be Party members or government officials.

Vietnam has five state-sanctioned mass organizations that represent different interest groups and operate under the principles of “democratic centralism.”

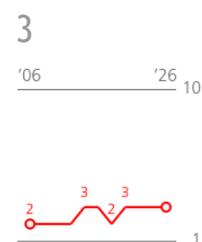
These organizations actively promote the CPV’s social and political agenda. Any interest group that seeks to be relatively independent of or autonomous from the government must affiliate with one of the five or with a government-approved “special association” such as the Vietnam Union of Science and Technology Associations or a specific state agency as defined in the new decree (No. 126/2024/ND-CP). Other formal interest groups, including professional organizations such as the Vietnam Lawyers’ Association and business-focused groups like the Vietnam Chamber of Commerce and Industry – which operates as a de facto government agency managed by a party committee – also fall under the party’s influence.

The absence of democratic pluralism makes it infeasible to assess genuine approval of democracy. Various democracy indexes have ranked Vietnam as a “moderate autocracy.” Consequently, surveys measuring public attitudes toward the state’s responsiveness to public critique exist, but whether democratic elements function cannot be evaluated appropriately in an autocratic context. The CPV’s tight control over political discourse and the lack of independent electoral processes mean that citizens do not experience substantive constitutional democracy as a functioning system in a conventional sense.

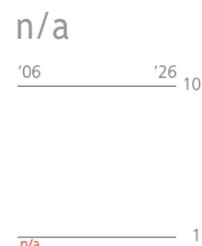
Assessing the extent of social self-organization and social capital in Vietnam is challenging because of limitations in data accessibility and government influence. At present, no public survey directly and reliably measures solidarity and public trust in informal civil society groups that can partly circumvent the state-controlled structure.

The 2023 Provincial Governance and Public Administration Performance Index report and another recently published study using data from the Vietnam Access Resource Household Survey (2008 – 2016) rely on participation in formal organizations as a proxy for social capital. Both show high participation rates, particularly in hierarchical structures such as the CPV and religious groups, though not exclusively. This suggests some social self-organization and relatively high levels of bonding social capital. Social capital is restricted to these formal frameworks and to members of the same organizations, but not necessarily across diverse organizations and groups, in part because trust is often tempered by concerns about government repression and societal pressures.

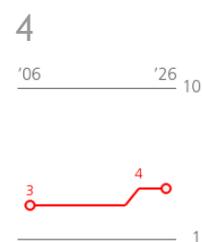
Interest groups



Approval of democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Over the past decade, there has been a remarkable decline in poverty in Vietnam. On average, household consumption has steadily grown by about 5% annually. According to the World Bank’s lower-middle-income country poverty line (\$3.20 per day at 2011 PPP), Vietnam’s poverty rate decreased from 16.8% in 2010 to 5% in 2020. This reduced the number of individuals living in poverty to approximately 5 million. By 2023, the poverty rate further declined to 4.2% of the population living on less than \$3.65 per day at 2017 PPP.

The Gini coefficient in Vietnam was 0.37 in 2002, 0.39 in 2010, 0.36 in 2020, 0.36 in 2022 and is expected to be 0.35 in 2024. In the latter half of the decade, consumption among richer households grew faster than did consumption among poorer households, resulting in a negative “shared prosperity premium,” meaning that the benefits of growth are not evenly shared.

Despite Vietnam’s successful economic performance, economic growth is not fully inclusive. There has been a notable increase in the economically vulnerable population, which is now twice the size of the population living in poverty. A segment of the population remains in poverty, especially those who do not belong to the majority “Kinh” ethnic group and who live primarily, but not exclusively, in the Central Highlands and the mountainous northwest of Vietnam. This situation reflects a persistent interplay between ethnicity, agriculture, geography and high rates of poverty.

With 67% of employees working in the informal sector, many are at risk of unemployment or underemployment. This risk is particularly acute among older adults and those with severe health-related problems, who often lack support.

The privatization of the welfare state and the education system since the early 1990s poses distinct problems for the present and future. The latest World Bank study on poverty in Vietnam from 2022 shows that, regardless of age, one-fifth of the population is at risk of falling into absolute poverty if required to undergo more extensive medical treatment. These individuals may face an existential crisis if major medical interventions are required or if they cannot afford necessary procedures.

From a gender perspective, job opportunities, at least, have been mostly inclusive. The rate of women working in Vietnam is 73%, which has contributed significantly to sustained growth to date.

Question
Score

Socioeconomic
barriers

5

'06 '26 10

5

1

Economic indicators		2021	2022	2023	2024
GDP	\$ M	366474.8	413445.2	433857.7	476388.2
GDP growth	%	2.6	8.5	5.1	7.1
Inflation (CPI)	%	1.8	3.2	3.3	3.6
Unemployment	%	2.4	1.5	1.6	1.4
Foreign direct investment	% of GDP	4.3	4.3	4.3	4.2
Export growth	%	14.8	3.9	-1.2	-
Import growth	%	16.7	1.3	-3.2	-
Current account balance	\$ M	-4628.0	1402.0	25793.0	28047.0
Public debt	% of GDP	39.2	34.9	34.3	31.3
External debt	\$ M	139852.5	146627.3	141849.6	-
Total debt service	\$ M	20701.5	26217.9	28627.3	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	9.6	8.8	8.8	-
Public education spending	% of GDP	2.9	2.9	-	-
Public health spending	% of GDP	2.0	2.0	-	-
R&D expenditure	% of GDP	0.4	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2025): 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

Despite the de jure protection of competition among different actors and the official recognition by the CPV and the government of the importance of the private sector, de facto state prerogative still prevails, and SOEs dominate key sectors of the Vietnamese economy.

The government sets prices for 66 goods and services; nine goods and services are subject to state price valorization. Under Decree No. 31 (March 26, 2021), there are 25 commercial activities where foreign investment is entirely prohibited and 59

Market
organization
4

'06 '26 10



specific commercial activities where foreign investment is subject to additional restrictions. The Investment Law (2020) provides a framework that includes 227 sectors and commercial activities subject to conditional business investment.

Based on the definition in the 2020 Law on Enterprises (No. 59/2020/QH14), there were 2,109 SOEs held by the central government in 2021; additionally, there were about 1,100 SOEs at the subnational level, according to the OECD's Governance Review of Corporate Governance of State-Owned Enterprises in Vietnam, which uses data from Vietnam's General Statistics Office.

Under the 2024 Land Law, private land ownership remains prohibited, and all land is controlled by the state. Individuals and entities may only be granted user rights to land. The five largest banks are state-owned.

The Vietnamese government has made an effort to reduce direct state ownership and facilitate the transformation of SOEs into privately owned companies. Decision No. 908/QD-TTg (2020) approved a list of 124 SOEs that were expected to be equitized. Some were expected to be equitized and divested by the end of 2020. Others were expected to do so between 2021 and 2025. Despite this effort, the equitization program has not diminished the significance of SOEs. Key activities crucial to the present and future viability of the Vietnamese economy are still controlled by the party-state and the SOEs under its command. Sectors with very high levels of state ownership and control are agriculture; electricity production and transmission; infrastructure; manufacturing; oil and gas; and telecommunications.

The government even controls minority shareholdings of 35% or less in formerly state-owned and now "equitized" enterprises and continues to extend its influence over private companies through party committees embedded within company structures.

The informal sector is notably large, with various forms of informal enterprise still outnumbering all other types. In 2024, 65.1% of the working population is employed in the informal sector.

The private sector accounts for 83% of employment and 99% of total registered businesses. However, many enterprises are not registered. In 2020, the private domestic sector as a whole accounted for about 48% of GDP, but the formal private sector accounted for only 10%, considerably less than the SOE sector. Among other reasons, low enterprise registration rates are attributable to the high cost of registration.

The majority of domestic private and household enterprises are very small. SOEs make up the largest share of Vietnam's large companies; seven of Vietnam's 10 largest companies are wholly or majority state-owned. SOEs also account for between 20.6% and 30.2% of GDP but constitute less than 1% of all enterprises. This discrepancy exists because SOEs are significantly larger than their private

counterparts and typically operate in sectors that benefit most from economies of scale. Moreover, SOEs tend to disproportionately benefit from government-granted preferential access to crucial resources.

Under the revised classification system in the 2020 Law on Enterprises, private enterprises and SOEs are now subject to the same legal rights and requirements and operate under the same legal norms. Competition between private enterprises and SOEs is governed by the 2018 Competition Law, which enshrines equal treatment for all enterprises, regardless of ownership, and establishes agencies to enforce this principle. However, the National Competition Committee, which is tasked with enforcing the law and overseeing all mergers, continues to operate under the Ministry of Industry and Trade. The same ministry, however, is a shareholder in many significant SOEs. This creates a potential conflict of interest and poses a serious threat to the autonomy of the competition agency.

The 2018 Vietnam Competition Law also gives the government discretion to determine whether economic concentration has “positive effects on the development of the sector.” When significant sectors are dominated by large SOEs, delegating this discretion to the government results in ad hoc implementation measures that serve the interests of the SOE sector.

Regarding foreign-owned (majority-owned) enterprises and domestic private enterprises (of various sorts), preferential treatment is frequently given to domestic sectors and SOEs. The Investment Law of 2020 subjects enterprises with more than 50% foreign ownership to a more rigorous approval process than other enterprises.

In sectors such as energy, telecommunications and transportation, SOEs often receive priority when bidding for large-scale projects.

Foreign firms face a complex array of regulatory requirements, including joint ventures and production-sharing contracts, which limit operational autonomy and increase costs. These challenges make it difficult for foreign investors to compete on equal terms. In some instances, taxes are imposed to influence prices. This state intervention disrupts market competition in Vietnam. For these reasons, among others, the U.S. government in August 2024 continued to deny Vietnam’s application for market-economy status. Vietnam remains on a short list of countries the United States designates as “nonmarket economies,” including Russia and China.

Competition policy

5

'06 _____ '26 10



_____ 1

Vietnam actively pursues bilateral and multilateral free trade agreements, with 16 in effect and three under negotiation. It has 50 bilateral investment treaties and 26 treaties with investment provisions. These agreements make it easier to attract FDI.

Vietnam imposes average import duties of 9.4%, according to the World Trade Organization.

Significant market-oriented reforms designed to open Vietnam's economy to foreign investment have fostered an investment climate that the OECD characterizes as among the most open in Southeast Asia.

As a result, Vietnam has attracted increasing levels of FDI since 2002. This rise in FDI has roughly tracked growth in Vietnam's GDP, suggesting that the country's economic progress remains dependent on foreign investment. In 2021, the CPV adopted a 10-year economic strategy with a new emphasis on foreign investment in high-tech industries. Nevertheless, foreign investment remains restricted in an excessive number of commercial sectors and activities, either partially or fully.

Additional challenges persist, including barriers to market access, red tape, a lack of transparency in regulatory processes and a failure to protect firms' intellectual property rights. A notable example of favoritism toward SOEs over private and foreign entities is the award of development rights in 2024 for the first two offshore wind farm projects to two Vietnamese state-owned companies.

In 2023 and 2024, the banking and real estate sectors faced a series of scandals. Among those arrested and convicted were real estate tycoon Ms. Truong My Lan and 85 other defendants, including bankers from the central bank and government officials. She was accused of embezzling the equivalent of \$12.5 billion through the Saigon Commercial Bank, where she held 91.5% of the shares through straw men and women. The total loss amounts to about \$27 billion, or 5% to 6% of Vietnam's GDP. The state intervened, providing about \$25 billion to prevent the Saigon Commercial Bank from collapsing. The trial against Ms. Truong ended in April 2024 with the imposition of the death penalty. Shortly after, a second trial was held for another property tycoon, Mr. Trinh Van Quyet, who was found guilty of "fraudulent appropriation of assets and stock manipulation," resulting in damages estimated at about \$171 million. These and other cases demonstrate not only that bank governance is inadequate, but also that the inadmissible linking of banks, property and investment transactions is common practice. Furthermore, these activities occur with the knowledge, if not the involvement, of CPV and state officials.

The primary law governing the banking sector in Vietnam is the Law on Credit Institutions (2024), which replaces the 2010 Law on Credit Institutions. Banking is classified as an economic activity legally subject to certain degrees of state ownership. Accordingly, approximately 50% of Vietnam's banking sector consists of banks with a controlling degree of state ownership (i.e., at least 35% direct or indirect

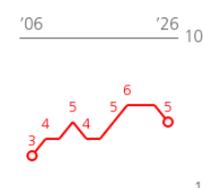
Liberalization of foreign trade

8



Banking system

5



state ownership or where the government or a government agency is the largest shareholder). The new Law on Credit Institutions maintains several provisions from its 2010 predecessor, covering the establishment, operations, special control, restructuring and bankruptcy of credit institutions. It also addresses regulations on the establishment and operations of foreign entities engaged in banking activities. However, the new law also introduces provisions for managing non-performing loans and secured assets, with additional emphasis on state-owned entities responsible for acquiring and managing debts.

Vietnam's State Bank lacks operational and political independence and follows the directives of the ruling party and the state. The same applies to the Banking Supervision Agency, founded by the end of 2024. It has the same status as a general department under Vietnam's State Bank.

In May 2023, the capital-to-asset ratio was measured at 11.7%. According to the State Bank of Vietnam, the non-performing loan ratio reached nearly 5% at the end of May 2024.

In February 2024, 10 commercial banks in Vietnam announced they had completed implementation of Basel III – a risk management standard used in banking operations.

At the end of November 2024, the National Assembly passed the revised Securities Law and eight accompanying financial laws, which address major challenges facing the development of the capital market, including the relatively small market size, lack of professionalism and underdeveloped technological infrastructure.

8 | Monetary and fiscal stability

In 2024, Vietnam's consumer price index (CPI), a measure of inflation, increased by 3.63%. A key driver of inflation was food and restaurant services (up 4.03% from 2023). Another key sector was housing and utilities. The CPI in 2023 was 3.25% compared with the previous year.

Vietnam recorded a trade surplus in 2024 – the ninth consecutive year – of more than \$24.7 billion, according to a General Statistics Office report.

The United States remained Vietnam's largest export market in 2024, and China was its top import source.

Vietnam's trade surplus with the United States increased by 25.6%, reaching \$104.6 billion, while its trade deficit with China surged by 69.5% to \$83.7 billion, according to local media reports.

By the end of 2024, foreign exchange reserves were about \$80 billion, down from about \$90 billion at the end of 2023. This decline was largely attributed to the sale of U.S. dollars in an effort to prevent the local currency from devaluing.

Monetary stability

7

'06 '26 10



1

In 2024, the Vietnamese dong depreciated by 3.3% in nominal effective terms and by 2.8% in real effective terms. In its June 2024 assessment, the U.S. Department of the Treasury noted that Vietnam's interventions in the foreign exchange market remain below the 2% threshold for classifying Vietnam as a currency manipulator.

Current account transactions still must be conducted through credit institutions authorized by the State Bank of Vietnam. In addition, the dong must be used for most transactions in Vietnam, and foreign currency may be used for only 17 purposes.

Some capital controls have been liberalized although additional controls on capital transactions have been added in recent years.

According to the Ministry of Finance, the budget deficit in 2023 was estimated at 4% of GDP, and it is projected to decrease to 3.4% in 2024. Total government expenditure in 2024 is estimated at VND 1.8 quadrillion (\$75 billion). Tax revenue stood at a record low of 11.4% of GDP (11.5% of GDP in 2023) (an all-time high was 17.6% of GDP in 2010), or \$11,082.351 million. Vietnam's current account recorded a surplus of \$7.8 billion in September 2024 (an all-time high of \$9.7 billion was reached in September 2023 and a record low of -\$6.2 billion in June 2021). The country's foreign exchange reserves were reported at 3% of GDP in January 2025, or \$82,344.140 million as of September 2024.

Following a rebound in economic activity in the second half of 2023, the Vietnamese government has signaled a desire to consolidate fiscal policy. By the end of 2024, Vietnam's public debt stood at about 36% to 37% of GDP, with government debt accounting for approximately 33% to 34% of GDP. The government's debt repayment obligation accounted for 20% to 21% of state budget revenue.

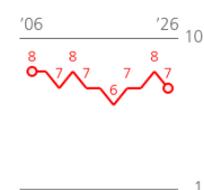
Credit levels are currently 120% of GDP, which is above the World Bank's recommended level.

9 | Private Property

Vietnam's market-oriented reforms have laid the foundation, albeit within narrow limits, for increased private ownership and, within much narrower limits, decision-making autonomy for SOEs. However, Vietnam has not yet recognized private ownership of land. According to Article 53 of the 2013 Constitution, land and other resources are publicly owned and managed by the state. In the absence of private land ownership, the state grants individuals a bundle of land-use rights. This bundle has expanded significantly from the 1993 Land Law to the 2003, 2013 and 2024 Land Laws, including rights to transfer, exchange and use land as collateral. However, it stops short of privatizing land. This has been criticized by land and civil rights activists as one of the leading causes of state-society conflicts. Indeed, there are numerous reports of clashes between local residents and authorities at land expropriation sites. Some forced land seizures have led to violence, injuries and even deaths of both state officials and villagers. The deadly Dong Tam land dispute in January 2020 is a case in point.

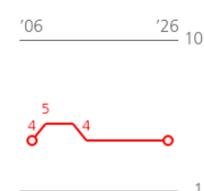
Fiscal stability

7



Property rights

4



Vietnam adopted a revised Land Law in 2024. Article 54 of the 2013 Constitution and Article 12 of the Land Law (2024) both maintain the existing ownership system and the state's right to expropriate land. Under the revised 2024 Land Law, the government has the authority to expropriate land for 32 purposes, primarily related to national security and socioeconomic development, including public works projects and land auctions aimed at generating revenue for the national budget. Local People's Committees and People's Councils still have decision-making authority over land pricing, allocation and reclamation. Most important, the revised 2024 Land Law focuses on land valuation methods that directly affect the calculation of compensation for land expropriation. The new law eliminates the previous five-year, centrally planned pricing structure and instead requires local governments to set the base price for land annually, bringing state land price frames closer to actual market value. This will certainly make land more expensive, but it will also speed up the process of buying land and transferring ownership.

The new law will permit parties involved in land disputes to pursue arbitration. Whether this will result in a decrease in land conflicts or complaints remains to be seen. However, this provision offers an important institutional and legal mechanism for citizens to assert their claims. Many of the causes that give rise to land conflicts have not changed. Decisions regarding land use are made at the national, provincial and local levels. The thriving property market has fueled greater greed among investors and officials, in turn increasing demand for land. Under the new law, individual land-use rights remain limited, and land users often cannot sell those rights to others or convert land to another use. Only the state can convert land from one use to another. Moreover, the party-state is responsible for drawing up land-use plans, which allows the government at all levels to maintain control over land use and direct economic outcomes.

Private ownership in the commercial banking sector has increased substantially.

Vietnam's Law on Enterprises (2020) has streamlined the classification of private enterprises and SOEs, allowing both to operate as limited liability and joint-stock companies. Private enterprises and SOEs are now subject to the same legal rights and obligations.

Currently, the private sector contributes about 50% of GDP, with private enterprises accounting for about 28%, nonagricultural household businesses about 12% and agricultural households about 10%. The private sector provides more than 80% of jobs in the economy. However, in terms of the incremental capital-output ratio, in 2010, the public sector required 9.8 units of capital to produce one unit of GDP, while the private sector required only 4.3 units for the same output. Since the outbreak of COVID-19, this trend has reversed. The private sector requires 23 units of capital to produce one unit of GDP, while the public sector has maintained its previous level of efficiency.

Private enterprise
5
'06 _____ '26 10



Private enterprises are often at a disadvantage compared with the state and SOEs. For example, with respect to land-use rights, private companies generally must pay full price for land-use rights, whereas SOEs are often granted land-use rights in prime locations at below-market rates or for free. Foreign companies operating in strategic sectors may also receive preferential access to land at reduced rates. SOEs also benefit from the government's conversion of land from agricultural to industrial use. Private enterprises often have difficulty acquiring land that can be legally used for industrial purposes because of the strict land-zoning system. SOEs often benefit from priority access to business licenses and other administrative procedures, more easily than private enterprises do. SOEs receive a large share of Vietnam's credit and often benefit from more favorable terms compared with private enterprises.

In addition, SOEs often win government contracts on a non-competitive basis through a process that takes place behind closed doors. Although private enterprises and SOEs are subject to the same disclosure and transparency requirements, in practice, SOEs do not consistently disclose the required information and there are no penalties for non-compliance.

Rather than pursuing complete privatization, the Vietnamese state has adopted a gradual approach of SOE equitization and divestment (see Decision No. 908/QD-TTg, dated June 29, 2020). This process has been slow, fraught with administrative and economic obstacles and opaque in many ways. According to the Ministry of Planning and Investment, the main reasons for the slow progress include delays by local authorities in approving the relevant land-use plans, particularly for enterprises that own land in several localities. Furthermore, current regulations on the equitization of SOEs do not fully address the complex scenarios that arise in practice, especially concerning the determination of enterprise valuations. Although the Law on the Management and Use of Public Assets has been enacted, the accompanying implementation guidelines remain inadequate and lack detail. This inadequacy has affected enterprises' ability to restructure and manage public assets effectively during the equitization process. In addition, some ministries and municipalities have not actively implemented the equitization of enterprises under their management.

10 | Welfare Regime

In 2023, 32.6% of the Vietnamese labor force was covered by social security and 93.35% of the population was covered by health insurance. Meanwhile, only 26.82% of the labor force was covered by unemployment insurance and only 42.8% received a pension, social security benefits or social pension.

The government's health care budget is relatively low, accounting for 2% of GDP in 2021. This figure has remained constant since 2011.

According to the General Statistics Office, life expectancy has increased to 75.91 years in 2024, surpassing the 2023 record of 75.77 years.

Social safety nets

5

'06 _____ '26 10



1

A 2022 World Bank study indicates that one in five people in Vietnam, regardless of age, was susceptible to hardship related to relative poverty if more extensive medical treatment was required. The demographic shift toward an aging population in Vietnam means higher spending on health and long-term care. Older people face a high risk of an existential emergency due to unaffordable medical care. This emergency is exacerbated by the fact that most older people have no income beyond savings and rely on family.

Vietnam has a pension system. The Social Insurance Law 2024 promises to broaden support for older people by reducing the required minimum contribution period from 20 to 15 years. People aged 70 to 75 from poor and near-poor households are also expected to qualify for social pension benefits starting in July 2025. Despite these provisions, many older people who receive a regular state-funded pension remain vulnerable to medical costs in the event of illness and may be unable to afford treatment. This risk stems from the fact that, since the start of this millennium, education and health care, among other domains, have undergone a process of “socialization” in Vietnam. This has reduced state benefits to a basic level, with any additional support or assistance considered a “private matter.”

The “socialization” of the welfare state and the education system poses problems for the present and future. Access to health services and education depends on obtaining necessary financial resources from private sources. The associated challenges are likely to intensify if the gap widens between the affluent and the economically disadvantaged or during shocks such as a pandemic.

The “privatization” of social benefits carries significant risks, particularly for “informal” workers and their families.

Despite promises of egalitarianism and gender neutrality, Vietnam falls short in these areas. While a small number of women, such as tycoon Nguyen Thi Phuong Thao, have achieved notable success in the corporate world, other figures, such as Truong My Lan, are infamous for high-profile corporate scandals, fraud and money-laundering. In the latter case, Truong My Lan was sentenced to death and life imprisonment.

Vietnam has some of the highest rates of female political participation in Southeast Asia, with women holding 27% of seats in the National Assembly. But within the CPV, female representation is scarce both at the senior leadership level and along key pathways to senior leadership. Currently, only one woman serves on the elite 15-member Politburo. At present, no women serve on the CPV Secretariat, which oversees the party’s day-to-day affairs.

Only one-third of the CPV’s 5.3 million members are women, and at the end of 2024 only 16 (or 9%) of the 183 Central Committee members and alternate members were women.

At present, only two provincial governments are headed by women, representing a mere 3%.

Equal opportunity

6

'06 '26 10



1

Vietnam may fail to reach its goal of having 60% of all state agencies and local governments headed by women by 2025 and 75% by 2030.

According to the latest data, Vietnam appears at best to be on track to achieve 35% female representation in the National Assembly by 2030.

Beyond formal politics, women face discrimination and are paid less than their male counterparts, even in equivalent roles. According to General Statistics Office estimates, the gender earnings gap is 29.5%. Women are disproportionately represented in lower-paying sectors and overrepresented in part-time employment. The economy remains gendered, with women facing formal, social and cultural barriers that prevent them from participating on par with men. Factors such as care and domestic responsibilities further undermine women's positions in the economy.

Most women's business ventures are concentrated in small and medium-sized enterprises. Only 17% of large enterprises are managed by women and fewer than 1% of women-owned enterprises are listed on the Hanoi Stock Exchange or the Ho Chi Minh City Stock Exchange.

Ethnic minorities, migrants and rural residents experience higher poverty levels, and face greater challenges in accessing services than the Kinh and urban residents. Moreover, they face discrimination in accessing high-quality education and public office.

Despite the 2010 People with Disabilities Law, many individuals with disabilities still face barriers in accessing key services, including health care and education. As a result, more than half of children with disabilities have never attended school.

Laws and existing institutions still divide people into two categories: male and female. New draft laws include options for medical interventions for transgender people. However, they do not address people with alternative gender identities or sexual orientations.

11 | Economic Performance

In 2024, Vietnam's economy showed notable resilience, with GDP growing 7.09%. This growth was driven by a resurgence in export-led manufacturing and ongoing fiscal stimulus measures. Export revenue reached \$405.53 billion, marking a significant 14.3% year-over-year increase, while import expenditure rose 16.7% to \$380.76 billion.

The country's primary export earners were electronics, computers and components, which generated \$72.58 billion – a remarkable increase of 26.6%.

Output strength

9



Trade with the United States, Vietnam's top export destination, showed notable growth, with exports rising 23.3% and imports 8.8% year-over-year. However, the persistent export surplus of \$24.77 billion with the United States is a matter of concern, particularly in light of the new Trump administration. At the same time, Vietnam has benefited from the U.S.-China trade war as an alternative to China for investment from multinational corporations seeking to diversify their supply chains. FDI remained a cornerstone of Vietnam's economic growth. Disbursed FDI capital reached \$25.35 billion, a 9.4% increase year-over-year. Registered FDI capital was the third-highest level Vietnam has recorded but was lower than the \$39.39 billion documented in 2023. By the end of 2024, Vietnam's registered FDI reached \$502.8 billion with 42,002 valid projects. The largest share belonged to the manufacturing-processing sector. FDI has helped offset the stagnant contribution to GDP growth from SOEs and various forms of private enterprise.

Infrastructure development is key to Vietnam's economic growth, including investments in transportation, energy and urban development. Plans for the next decade include new railway lines linking China with northern Vietnam, and a high-speed railway between Hanoi and Ho Chi Minh City. Plans are also in place to develop and build metro systems. The development of green industries (e.g., wind and solar energy, and energy storage technologies) remains high on the agenda. Still, the prospects for developing these industries and for urgently needed large-scale investment in the outdated electricity grid remain unclear.

The labor market showed signs of recovery, with employment growth stabilizing after a challenging period. The General Statistics Office reported an almost unchanged unemployment rate of 2.24% for 2024 compared with the previous year. The unemployment rate for individuals aged 15 to 24 was 7.83%, reflecting a slight increase from the previous year.

Most people worked in the service sector (40.1%), followed by industry and construction.

The number of underemployed individuals decreased by 74,400 year-over-year, reaching 846,800 in 2024.

The average monthly income of contracted workers was \$304 in 2024, an increase of \$24 from the previous year.

The minimum wage, which varies between Vietnam's regions, was set to rise 6% on July 1, 2024.

The General Statistics Office forecasts that less than 1% of the Vietnamese population will earn less than \$2.15 per day by the end of 2024.

12 | Sustainability

Vietnam has a policy and legal framework in place to address environmental challenges, including the Vietnam Climate Change Strategy and the Vietnam Green Growth Strategy. Vietnam also has the Environmental Protection Law. However, a notable adverse consequence of Vietnam's sustained economic growth is a high rate of resource consumption, which significantly impacts the environment and climate. Vietnam has yet to demonstrate a satisfactory commitment to environmental concerns and the externalization of costs remains a largely neglected problem.

Three recent examples show that neither externalized costs nor the participation of those affected were adequately taken into account. First, a 50% reduction in Vietnam's environmental tax on aviation fuel, gasoline and lubricants will be extended for the fifth time in a row until the end of 2025. This comes at a time when IQAir rated Vietnam the 22nd most polluted country out of the 134 countries it surveyed in 2023. Second, while the updated Law on Environmental Protection acknowledges the role of non-state actors in the environmental impact assessment process, an implementing decree limits the assessment to specific state agencies. With a similar objective, the latest electricity law stipulates streamlined approvals for emergency power projects, allowing a prime minister's decision to replace written approvals for issues such as land allocation and conversion. Such provisions risk overriding concerns of affected local communities.

Moreover, inherent contradictions and insufficient time horizons persist. This is particularly evident in the context of energy policies and the stated objective of transitioning to a carbon-free economy by 2050. The policies currently in place to facilitate such an energy transition are contradictory and appear to align more with the demands of the fossil fuel industry than with those of developing regenerative energy industries and projects. Given the prime minister's statements in 2024, it is clear that the overriding maxim is energy growth, which in turn serves continuous economic growth. To this end, coal-fired power generation will continue to expand until at least 2030 and the construction of a nuclear power plant has also been decided. In the past few years, prominent environmental activists opposed to Vietnam's reliance on coal have been arrested and jailed on tax evasion charges.

Problems, including those of a temporal nature, are also recognizable in the implementation of the Just Energy Transition Partnership with Vietnam, which was agreed in November 2022 between Vietnam, the International Partners Group (a political donor community comprising G-7 members) and a consortium of banks (GFANZ). The partnership is intended to secure \$15.5 billion for Vietnam by 2030 from both consortia. As of the end of 2024, the list of approximately 400 potential common projects has been reduced to eight, but the process remains ongoing and no funds have been allocated as of January 2025. On the Vietnamese side, it is clear that

Environmental
policy

4

'06 '26 10



1

contradictions exist both within and between the state apparatus and various industrial interests, and that the interests of fossil fuel proponents and growth advocates have so far prevailed.

Another example of inefficient policy execution involves environmental, social and governance (ESG) criteria. The push for ESG compliance is driven by both international pressure and the government's commitment to sustainable development. A PwC report indicates that 66% of businesses in Vietnam have either not yet integrated ESG into their business strategies or have only just begun the process.

Vietnam has made significant progress in educational attainment, notably achieving universal primary education. The net enrollment rate is consistently above 98%. In 2023, the literacy rate in Vietnam was approximately 96.6%. Lower secondary enrollment reached 95% and upper secondary enrollment was 80% as of 2024. The average learning-adjusted years of schooling is 10.2 in Vietnam.

The 2024 state budget continues to allocate approximately 5% to 6% of GDP to education. Recognizing the need for a tech-savvy workforce, the Ministry of Education and Training in 2024 continues to enhance STEM programs, particularly in secondary and tertiary education. In 2024, the government has also enhanced its vocational training programs, particularly in the manufacturing, information technology and construction sectors.

Nevertheless, the quality of education remains a pressing concern for the country. The curriculum is often criticized for being overly theoretical and lacking practical application. Traditional teaching methods that emphasize rote memorization over critical thinking continue to dominate. Many teachers are underqualified and lack the necessary training. In addition, teachers in public schools are often overworked and underpaid. Many rely on private tutoring to generate additional income, which creates an added burden on the time and resources of teachers, students and their parents. To mitigate this problem, the Ministry of Education recently issued Circular 29/2024/TT-BGDĐT permitting schools to provide tutoring only in selected circumstances and certain subjects for underperforming students. Public school teachers are also prohibited from earning additional income by privately tutoring students already assigned to them in public schools.

Furthermore, educational opportunities are starkly unequal between urban and rural areas, with significant regional disparities and ethnicity-related inequities in access to quality education. Socioeconomic barriers prevent many children in low-income families from accessing education because of the cost of schooling. In 2024, education costs rose significantly, by 5.37%, over the year compared with 2023.

Education also exhibits gender bias, particularly affecting girls in rural areas. Children with disabilities often face numerous barriers to education. Finally, Vietnam's access to higher education, as measured by the gross enrollment rate, is below 30%. Its higher education output, as measured by the gross graduation ratio, is only 19%.

Education policy /
R&D

6

'06 _____ '26 10



1

In 2021, Vietnam's gross domestic expenditure on R&D was 0.42% of GDP. Private sector R&D investment increased sharply, from 12% in 2015 to 43.84% in 2021. Relative to its GDP, Vietnam is performing above expectations for its level of development. Vietnam ranked 46th in the Global Innovation Index 2023. It ranks second among the 37 economies in the lower-middle-income group. Vietnam's National Strategy for ST&I Development (2021 – 2030) aims to increase the gross domestic expenditure on R&D to 1.5% by 2030.

Governance

I. Level of Difficulty

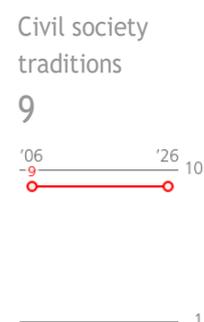
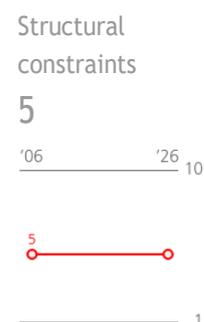
Structural constraints on political leadership for effective governance are moderate. Vietnam is strategically located in the world's most economically dynamic region, and has abundant natural resources and a youthful population, despite signs of an aging population. This positions the country favorably for future economic growth. Sustained economic development has contributed to the government's increasing investment in the country's infrastructure. There have been significant advances in transport, logistics and network infrastructure, enhancing internal connectivity between regions, promoting economic growth, and deepening the country's integration and engagement with the global community. However, the country still faces significant structural constraints. These include widening disparities between urban and rural areas, and an outdated energy grid.

While education levels are comparatively higher, the quality of education is deficient and, in many respects, inadequate for future economic development.

The health system at the national level has demonstrated resilience in the face of diseases such as the recent COVID-19 pandemic. Governments at the local level, however, remain vulnerable and ill-equipped to handle diseases. Furthermore, IPCC reports highlight that Vietnam is among the countries most severely affected by climate change and extreme weather events. According to the INFORM Risk Index, Vietnam ranked 91st of 191 countries in 2019. In 2024, Typhoon Yagi severely impacted northern Vietnam, particularly ethnic minority groups living in high-risk areas.

Vietnam has a significant number of CSOs and a rich tradition of civil society engagement. The latest government data show that, as of December 2022, Vietnam had 93,438 associations, an increase from 68,125 in 2017. Of these, 584 operate nationwide or interprovincially, while 92,854 operate locally. The data also show 124,889 grassroots trade unions nationwide, with a total membership of 11,071,635. The average share of union members among workers at agencies, organizations and businesses with trade unions is 93.1%. Not all associations and civil society activities are officially registered and captured in the government's data.

Since 2021, the ruling CPV has shifted its discourse on civil society, and begun to prohibit the use of the term "civil society" in public discourse and policy documents. The CPV's hostility toward civil society has worsened sharply in the past two years.



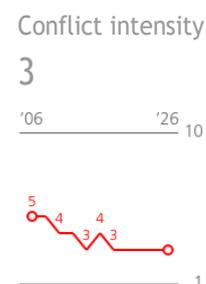
This has created challenges not only for organizations that self-identify as NGOs but also for a wide range of other actors. Nonetheless, over the past three decades, a large, unknown number of NGOs have been established, which exist alongside various forms of community-based groups that work on a wide range of local and social issues.

The prevailing understanding of what constitutes “civil society” in Vietnam aligns closely with that found across Asia, where civil society is primarily understood to be represented by CSOs. Civil society actors embrace a distinctive understanding of “civil society in Vietnamese colors.” For instance, their representatives display a strong aversion to conflict and a very specific understanding of what constitutes compromise. Such ways of thinking can be identified as core elements that characterize civil society operating in authoritarian contexts.

Compared with the political environment that prevailed before the COVID-19 pandemic, the space available for NGOs and other associations – such as the Vietnam Union of Science and Technology Associations, an umbrella organization responsible for many NGOs, and other professional associations – has diminished considerably. Numerous NGOs engaged in fields such as environmental protection, climate and energy policymaking, and land and civil society rights have either suspended or ceased their operations entirely. Notably, six energy policy activists were imprisoned under the pretext of tax evasion. Some have opted to transform their organizational structures into social enterprises to continue operating.

In addition to historically rooted cleavages (as a direct consequence of foreign occupation and the defeat of the Republic of Vietnam in the south), there has been potential for political, economic and sociocultural tension that may have been building since the beginning of the renewal policy (Đổi Mới) launched in 1986. A lack of economic improvement for large parts of the population could lead to fundamental disputes about the economic, political, social and ecological makeup of the country, as well as conflicts that transcend geographic locations. These tensions may stem from growing socioeconomic disparities, especially between the upper echelon and those at the very bottom of the economic ladder; discrimination against ethnic minorities and women; and a high level of violence against women and other forms of sexual violence.

This potential for conflict is significantly increased by the fact that the existing political and administrative system offers very few effective and inclusive opportunities for public participation and influence. The single-party system also lacks effective mechanisms for peaceful conflict resolution and adjudicating issues of social justice, particularly when doing so would impede the ultimate interests of the party and the state. By contrast, insiders within the system reap benefits from the status quo to enrich themselves and gain other advantages. In addition, the latest analyses indicate a high frequency of protests concerning the country’s infrastructure and the environment, as well as significant potential for protests to erupt into violence



and clashes with the police, as occurred between 2016 and 2023. The police, particularly the Mobile Task Force, are not trained to deal with peaceful civil society protests. There have been incidents in which conflicts between citizens and the military or the public security have resulted in deaths on both sides. The police force is part of the military, and police units such as the Mobile Task Force act alongside the army as the “shield and sword” of the CPV. Both are constitutionally tasked with securing the single-party rule of the CPV and the state. Whereas the interests of the state and powerful conglomerates associated with state interests are strongly guarded and enforced, the interests of economically disadvantaged and politically vulnerable groups in society, including farmers and fishers, are only occasionally and selectively protected, if at all.

II. Governance Performance

14 | Steering Capability

The CPV adopts the country’s development strategies at its national congresses, the most recent of which was held in 2021. These strategies outline priorities to be achieved between congresses or for certain periods. Strategic planning units are established at every administrative level and within government agencies, contributing to the prioritization of strategic goals. According to the strategy adopted at the 13th Party Congress in 2021, Vietnam aspires to become a modern, high-level middle-income country by 2030 and a “developed country” by 2045.

Government policies have been instrumental in supporting domestic sectors. The revised Land Law is expected to boost the real estate market, and supportive fiscal and monetary policies are likely to continue. These will likely help Vietnam achieve its economic growth targets for 2024 and lay a solid foundation for 2025. FDI will be decisive for further economic progress. Sustaining high economic growth rates is central to the legitimation of the new CPV general secretary, To Lam, and the CPV. However, an impediment to the CPV’s performance-based legitimacy is Vietnam’s cumbersome bureaucracy. In the name of reforming the bureaucracy into a leaner, stronger, more compact, more efficient and more effective machine, To Lam has implemented a major restructuring of the political apparatus. From the CPV’s perspective, the country faces many significant challenges. Labor productivity is slipping and, despite attracting \$36 billion in pledged foreign investment in 2024, Vietnam remains an assembler. While foreign investors may view the restructuring favorably, many Vietnamese citizens are uncertain about how the reforms will affect or improve their day-to-day interactions with the government.

Question
Score

Prioritization

6

'06 '26 10



1

Vietnam is known for experiencing challenges in policy implementation. Despite commendable policies, outcomes often fall short. These shortcomings are often attributed to bureaucratic inefficiencies, and the overlapping structures of the party and the state. By the end of 2024, General Secretary To Lam pledged to tackle the problem with a plan to “streamline” the party-state apparatus, and to ensure better-qualified officials, reasonable salaries and standardized job titles. The prime minister has also cited the inefficiency of the state apparatus as a key factor contributing to the country’s low labor productivity. Another obstacle to further and faster economic development is the influence of “interest groups.”

While the restructuring of ministries and other administrative reforms are still under way, it is not evident that merging, dividing and eliminating public agencies and the like will necessarily enhance the government’s institutional capacity and policy implementation. The basic structure of the Leninist system of a party-state remains in place to maintain the party’s control over state affairs. The retention of this “double-hatted” structure suggests that the implementation problems are fundamental. Many, if not most, implementation problems are rooted in difficult and usually protracted processes behind closed doors that impede existing institutions from articulating and representing public interests.

The prime minister does not have an advisory body, preferring instead to seek expert consultation on an ad hoc basis. The Central Council of Theoretical Studies, on the other hand, advises the CPV Central Committee, Politburo and Secretariat. The council holds dialogues with foreign counterparts, mainly with Chinese, Laotian, Cuban and other communist parties, with a principal focus on how to maintain communist strongholds and increase party membership against the backdrop of capitalism. The council also implements research projects and undertakes study tours to Western countries to learn about governance, anti-corruption initiatives and policymaking. The Vietnamese government also has various working channels to garner advisory input from foreign experts on economic and other issues. However, they do not necessarily lead to lessons learned. What can or cannot be implemented depends on the respective interests and balance of power within and between the CPV, the state and state business interests. For instance, input that could be seen as questioning the party-state’s agenda on energy transition and labor practices has resulted in the arrests and convictions of many environmental and labor experts and activists in 2023 and 2024. The shift in the negative attitude toward civil society input on these policy areas also attests to limitations in the government’s capacity for policy learning. The government’s attitude toward budgetary policy is similarly rigid and nonreceptive to unsolicited advice. There is a firm rejection of debt and borrowing, especially from foreign lenders, and of foreign advice in this direction.

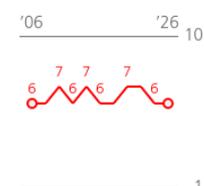
Implementation

6



Policy learning

6



15 | Resource Efficiency

Since 2017, the government has actively sought to streamline its administrative structures and reduce redundancies across government bodies. This effort is seen as a way to enhance functionality and operational efficiency, while further consolidating the CPV's political power. It, thus, reflects limited administrative decentralization rather than a genuine democratic improvement. Nonetheless, the legal and financial frameworks grant local governments greater authority to enable self-governance, while maintaining accountability.

In 2023, nearly 11,000 officials, civil servants and public employees in Vietnam resigned or left their positions, while 17,808 faced disciplinary action. In 2024, 4,741 officials, civil servants and public employees faced disciplinary action. To minimize politically motivated dismissals, policies have been introduced to stabilize cadre management, and promote competitiveness, fairness and transparency, although political influence over appointments in crucial areas persists.

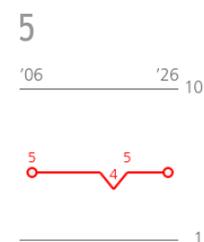
The restructuring of ministries and other institutions follows a recent campaign against technocrats by former General Secretary Nguyen Phu Trong. Lam is countering this move by empowering these professionals and recognizing their role in propelling Vietnam toward subsequent phases of development. The Ministry of Public Security and SOEs under the direct leadership (if not direct ownership) of ministries – such as the Ministry of Industry and Trade, and the newly formed “super ministry,” created by merging the Ministry of Planning and Investment, and the Ministry of Finance – are poised to benefit from this restructuring. A clear loser will be the Ministry of Labor, Invalids and Social Affairs, which will be dissolved, its responsibilities transferred to other ministries. The Ministry of Natural Resources and Environment will also merge with the Ministry of Agriculture.

While Lam's ambitious plan appears to have the support of the majority of the Central Committee, not everyone in the party and the state apparatus is on board. In late December 2024, it became clear that the ministry reorganization alone would likely affect 100,000 officials and civil servants. The scale and magnitude of the restructuring are unprecedented.

General Secretary To Lam has repeatedly criticized the government for inefficiency and waste. Yet, calls for waste prevention and laws addressing waste, including the Penal Code articles on negligence and management violations, lack effective enforcement. Independent auditing mechanisms still fall short and budgeting transparency has not been achieved.

Moreover, there are serious challenges in the effective use of assets, particularly in public investment and resource management. The anti-corruption campaign has made officials more cautious and hampered administrative efficiency, including the approval of public investment. As a result, execution capacity has weakened, resulting in bureaucratic stagnation and a backlog of project approvals.

Efficient use of assets



Vietnam’s policymaking landscape is characterized by a complex interplay between a centralized, hierarchical structure and informal party-business networks, leading to inconsistencies and a lack of accountability. While providing a degree of top-down control, the centralized approach often results in rigidity and inflexibility, hindering adaptation to changing circumstances and local needs. Conversely, informal networks involving officials and businesses play a significant role in shaping policy but lack the transparency and formal mechanisms necessary for accountability and oversight. This duality – together with the “double-hatted” structure of party and state apparatuses, with the former having the upper hand – creates challenges for effective policy implementation across various sectors.

For example, the government fails to ensure a coherent approach to achieving the 2023 Green Growth Strategy. With the aim of balancing economic development and environmental sustainability, the strategy encountered considerable pushback from industries that prioritize short-term rather than long-term economic gains. Civil society recommendations were largely ignored or suppressed, highlighting a disconnect between policy goals and stakeholder input. While interministerial committees exist to foster collaboration – as seen with the North-South Expressway project – they have not been fully successful. Delays in land acquisition and compensation processes for this project reveal ongoing conflicts between development priorities and the interests of affected local communities.

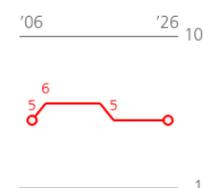
The governance of NGOs further exemplifies these systemic issues. A significant lack of coordination between government agencies responsible for NGO regulation has led to overlapping requirements, procedural inefficiencies and unpredictable policy implementation. The absence of formal channels for NGO feedback exacerbates the problem. In the absence of the Law on Association, regulatory policies governing NGO activities are often enforced arbitrarily, with no clear guidelines or mechanisms for civil society actors to seek redress. Underlying many of these challenges is the prioritization of rapid economic growth over social and environmental goals. This is evident in the treatment of both the Green Growth Strategy and NGO regulations, where economic considerations frequently outweigh environmental and social concerns. The lack of mechanisms for resolving these conflicting priorities contributes significantly to policy incoherence. Both the National REDD+ Action Plan and the Forestland Allocation policies illustrate how the lack of an integrated government approach hampered effectiveness.

Vietnam’s extensive anti-corruption drive has achieved some success in securing high-profile prosecutions and enhancing public perception. As of 2024, nearly 200,000 party members have faced disciplinary action over the past decade and many have faced criminal charges. In 2024 alone, two presidents were ousted for involvement in corruption and bribery scandals.

Nevertheless, the party has taken the anti-corruption campaign most seriously. More than 250 documents on party building and corruption prevention were issued, along with 88,000 policy documents from government agencies. Provincial-level anti-

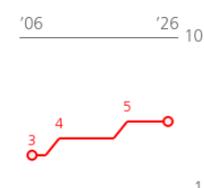
Policy coordination

5



Anti-corruption policy

5



corruption committees were established. The campaign expanded beyond party and state apparatuses to include SOEs, private businesses and non-profit organizations. Anti-corruption has become an ideology, influencing party building and the revitalization of Marxist-Leninist thought. This includes increased study sessions, campaigns and competitions focusing on ideology and morality.

However, the campaign, coupled with a lack of administrative reforms, led to significant slowdowns in government processes and a mass exodus of public employees. The campaign's impact on the private sector disrupted business activity, slowing sectors such as real estate and reducing foreign investment. Public investment disbursements also slowed significantly, reaching only 42% of targets in the first nine months of 2023 because officials feared being implicated in corruption investigations. This suggests a lack of effective monitoring and potentially ineffective auditing practices.

16 | Consensus-Building

Vietnam's system of democratic centralism promotes internal party democracy within the CPV, but explicitly rejects liberal democracy and multiparty pluralism. Consequently, consensus on democracy as a strategic, long-term goal is nonexistent. While some CPV reformers advocate some degree of political liberalization, their influence is constrained by the party's hierarchical structure. Significant dissent within the party is effectively suppressed, and reformist ideas are deemed ideological deviations that threaten the CPV with "self-transformation" and "self-evolution," as well as the stability of the regime.

In contrast, consensus regarding a market economy is considerably stronger, though far from absolute. While Vietnam has pursued market-oriented reforms for decades, the CPV maintains substantial control over key economic sectors, particularly through SOEs. Private enterprise is encouraged, but it still operates within a framework firmly controlled by the party and is, therefore, not entirely free.

Factions within the CPV include reformers and hard-liners, each capable of promoting or repressing democratic change. Anti-democratic actors in Vietnam's political landscape include hard-liners within the CPV, military leaders and powerful economic actors – including those associated with SOEs. These actors may actively oppose political liberalization, exert pressure against political and economic reforms to protect their interests, and even veto certain reforms. The brief 2024 presidential term and To Lam's current position as general secretary, a known hard-liner, suggest that the CPV remains a primary obstacle to democratization, if not the main anti-democratic actor.

Consensus on goals

5

'06 '26 10



1

Anti-democratic actors

1

'06 '26 10



1

Vietnam's stable economic growth has served, to some extent, as a unifying factor by improving living standards across segments of society and potentially reducing the salience of certain societal cleavages, such as class-based conflicts. However, societal cleavages persist beneath the surface and the CPV's success in managing them is mixed.

On the one hand, the CPV's centralized control allows swift decision-making and prevents the kind of open political polarization seen in some multiparty democracies. The party consistently emphasizes national unity and social stability as paramount goals. This rhetoric potentially suppresses legitimate grievances, and contributes to a narrative of consensus and shared national identity. Overall, this limits the potential for societal cleavages to escalate into major social or political unrest.

On the other hand, the CPV's tight control over information and the suppression of dissent prevent open debate and the articulation of grievances, potentially exacerbating underlying tensions rather than moderating or resolving them. This lack of open dialogue prevents the airing of grievances and the negotiation of compromises. Although they are not always overtly expressed, ethnic and religious tensions remain significant in Vietnam, and the CPV's main approach is to suppress these voices.

Vietnam's public consultation mechanisms in policymaking are significantly deficient, lacking genuine inclusivity and systematic incorporation of diverse perspectives. While formal structures exist, their effectiveness is severely limited, and the process fails to integrate civil society input meaningfully across all stages.

The 15th Provincial Governance and Public Administration Performance Index (PAPI) Report finds that, although participation is a constitutional right, performance on this dimension declined slightly in 2023 compared with 2022. This suggests a lack of effective mechanisms to translate citizen input into policy changes.

The government occasionally seeks input from external sources, primarily experts and business groups. The consultation process, however, does not always include the full range of civil society actors. Consultations are often technical and limited to specific projects, failing to address broader policy goals. The agenda is predetermined by the ruling party's priorities.

Furthermore, formal channels for participation by independent civil society in policy deliberation and decision-making are virtually absent, hindering open debate and negotiation. The PAPI report also highlights low public awareness of key legislation and weak performance in addressing citizen petitions and proposals.

Cleavage /
conflict
management

5

'06 '26 10



1

Public
consultation

2

'06 '26 10



1

Vietnam's political leadership has achieved only limited reconciliation between victims and perpetrators of past injustices. The post-independence leadership in Hanoi has systematically discriminated against former South Vietnamese who served the previous Saigon government or the United States. Subjects such as so-called re-education camps that operated in the aftermath of the Vietnam War remain taboo.

Since the 1990s, there has been a shift toward increased engagement with the Vietnamese diaspora. Although there has been some progress, including reopening the Bien Hoa war cemetery, the CPV-controlled narrative continues to downplay past injustices, including the 1974 Battle of the Paracel Islands, in which 74 South Vietnamese soldiers died, and the subsequent Chinese occupation. In addition, those who glorify the former southern regime or use southern symbols often face harassment or prosecution.

17 | International Cooperation

In 2023 and 2024, Vietnam's long-term development strategy encompasses ambitious economic and environmental goals, and relies on international cooperation. Vietnam aims to achieve upper-middle-income status by 2035 and high-income status by 2045. It also announced that it will transition away from coal, foster climate-compatible economic activities and achieve net-zero emissions by 2050. This plan is articulated in the Socioeconomic Development Strategy. In addition, the Just Energy Transition Partnership was formed with the G-7 International Partners Group.

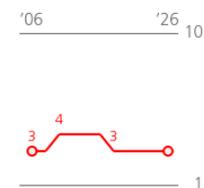
This strategy, also supported by collaborations with organizations such as USAID and the German government (i.e., the BMZ), includes a road map for achieving these objectives. In 2023 and 2024, substantial funding commitments from Germany focus on energy transition, forest conservation and vocational training. Contributions from France include a green finance policy framework signed in 2023. However, the effectiveness of these cooperative efforts and the ultimate success in achieving the stated goals remain uncertain. The lack of transparency in monitoring mechanisms, the suppression of civil society, political infighting and the potential for greenwashing severely undermine the extent to which international support is effectively integrated into a consistent, long-term development strategy.

This is further complicated by the need to address immediate or short-term challenges, such as humanitarian relief efforts after Typhoon Yagi in 2024.

However, because of administrative paralysis, Vietnam has forfeited at least \$2.5 billion in foreign aid over the past three years (2021 – 2024) and could lose an additional \$1 billion, according to a letter to the government from the United Nations, the World Bank and Western donors that was reviewed by Reuters. Therefore, Vietnam's political leadership is not effectively using international support to achieve a truly long-term, sustainable and just energy transition.

Reconciliation

3



Effective use of support

6



Over the last decade, Vietnam has gained credibility in the international community by creating an environment attractive to foreign investors, working with multilateral donors, and contributing to humanitarian aid in conflict and war zones. On freedoms and human rights, however, its commitment has proved far less credible and reliable. Vietnam continues to draw critical concern from international NGOs, such as Human Rights Watch and the ILO, and international experts. While Vietnam expresses commitment to international agreements, it fails to improve human rights conditions, which are necessary for such agreements to be meaningful.

Reports indicate that the government has made minimal progress in addressing human rights issues. In recent years, the situation has worsened, with intensified government repression stifling basic freedoms and targeting activists, particularly environmentalists since 2023. In July 2024, Human Rights Watch reported that more than 160 individuals were facing imprisonment for exercising their rights to free speech and assembly. These violations occur despite the government's agreements with the European Union aimed at promoting renewable energy transitions (e.g., the Just Energy Transition Partnership), and the participatory and consultative role of civil society enshrined therein.

Vietnam's credibility is further undermined by its failure to comply with (and ratify) key international agreements, such as ILO Convention No. 87, which pertains to freedom of association and protection of the right to organize. This non-compliance is particularly notable because the government had pledged to do so by 2023, ahead of the significant EU-Vietnam Free Trade Agreement, which took effect in August 2020. In addition, activists who sought to monitor the effective implementation of the agreement by joining the Domestic Advisor Group have been arrested, including two senior employees of the lead ministry. The government, therefore, fails to engage effectively with monitoring institutions.

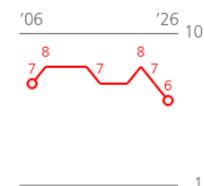
Vietnam's political leadership demonstrates a strong commitment to regional cooperation, particularly within the ASEAN, and employs a pragmatic, flexible approach often termed "bamboo diplomacy." This approach involves maintaining relationships, adapting to changing circumstances without sacrificing regional ties, and managing tensions through diplomacy and economic engagement.

Vietnam's active role in the ASEAN, including three terms as chair and initiatives such as the ASEAN Future Forum, exemplifies this. However, the South China Sea disputes and China's growing influence significantly constrain closer cooperation.

While Vietnam engages in diplomatic efforts to manage tensions, its "four-no" defense policy – no alliances, foreign bases, joint attacks or threats of force – limits deeper military cooperation and prevents alignment against China. The ASEAN's consensus-based decision-making, coupled with members' differing geopolitical alignments, hinders a unified response to China's assertiveness. Furthermore, tensions with Mekong neighbors, particularly Cambodia, due to increasing Chinese influence as seen with the Funan Techo Canal project, complicate Vietnam's efforts to foster seamless regional cooperation. The overall picture is one of a committed but cautious approach.

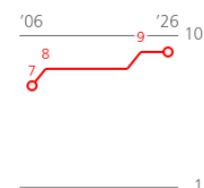
Credibility

6



Regional cooperation

9



Strategic Outlook

Under General Secretary To Lam, the CPV is pursuing ambitious political-administrative reforms aimed at boosting the efficiency of the party-state apparatus and its governance. In December 2024, To Lam initiated a significant government restructuring plan that reshuffles power configurations, centralizes authority and reduces accountability mechanisms within the party-state system. While continuing the anti-corruption campaign, the reforms promote system-loyal technocrats by merging several ministries to create “super ministries,” dissolving some agencies, and streamlining state-owned media, education and research. The National Assembly will also undergo significant restructuring. However, it is not yet clear how the problem of an estimated 100,000 unemployed state employees will be resolved.

This ambitious plan aims to improve political-administrative efficiency and neutralize rivals, while empowering system-loyal technocrats to accelerate economic growth, and address Vietnam’s challenges in labor productivity and reliance on imported components. Experts express skepticism about whether genuine reform of the political-administrative system is on the agenda, given that the Leninist dual-structure model remains in place, with political-administrative institutions, and the military and security apparatus led by party committees that hold final authority.

Further obstacles within the existing system structure will likely include unclear assignments of competencies, resistance to hierarchical changes, coordination problems between different government and CPV levels, and persistent corruption risks. Successful implementation of To Lam’s system-neutral reforms would at least require improved interagency coordination, robust monitoring mechanisms and genuine stakeholder engagement. Greater transparency and accountability are also essential to ensure policy coherence and effectiveness. Therefore, the plan’s implementation and, above all, its impact on citizens’ daily lives remain unclear and must be evaluated in the next BTI.

Meanwhile, persistent concerns about various governance issues and the country’s human rights record present significant hurdles that the CPV must address to ensure sustainable development and stability. It is also questionable whether Vietnam will achieve its self-imposed goal of becoming carbon-free by 2050. Long-term improvements in governance and responsiveness to demands for democratic reforms are unlikely, given the CPV’s continued marginalization of independent civil society groups, and hostility toward popular participation, public consultation and academic freedom. Civil society engagement in policymaking is expected to remain highly restricted, despite the existence of some formal structures.

A fundamental shift in governance is urgently needed to foster the rule of law instead of rule by law. This shift requires disentangling the police from the security apparatus and professionalizing the security forces to address state-society conflicts through nonviolence and peaceful conflict resolution. However, such changes are unlikely in the near future.

Looking ahead, Vietnam aims to sustain its economic growth, targeting a GDP growth rate of 6.5% to 7% for 2025. The economy is positioned for continued growth, with the influence of the “party-state-business alliance” largely unchanged. Yet, it will remain heavily reliant on foreign investment, especially in the service and manufacturing sectors. A significant trade barrier is the prospect that the next U.S. administration will impose punitive tariffs against Vietnam, thus reducing its chances of exporting to the United States.

Democratic transformation cannot occur as long as those in power rule a class-based society, while lacking democratic legitimacy. Although no organized opposition currently exists to challenge this system, occasional localized conflicts may arise along various fault lines and social unrest could erupt. The state, however, has contained such incidents in the past with repressive-responsive measures. The combination of social welfare programs, strategic maneuvering and the assertive use of authority will uphold the status quo. Therefore, the political and economic system is expected to remain largely unchanged.