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FISCAL POLICY OF VIETNAM IN THE CONTEXT OF INTERNATIONAL ECONOMIC INTEGRATION

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ABSTRACT
International economic integration brings many benefits to Vietnam, such as expanding export markets, attracting foreign direct investment (FDI), enhancing competitiveness, and promoting institutional reform. However, it also poses significant challenges, including fierce competition, pressure on the budget, and public debt management. This paper studies Vietnam's fiscal policy in the context of international economic integration, emphasizing the role and importance of fiscal policy in regulating and promoting the economy. To face the challenges and seize the opportunities from international economic integration, the paper proposes several fiscal policy solutions to help Vietnam improve competitiveness and achieve sustainable economic development.

Keywords:
Fiscal policy, international economic integration, Vietnam, opportunities, challenges.

1. INTRODUCTION
In recent decades, Vietnam has witnessed a dramatic transformation from a centrally planned economy to a socialist-oriented market economy, with steady progress in international economic integration. Fiscal policy, an essential tool for economic regulation, has played a central role in this integration process. The flexibility of fiscal policy has contributed to building an independent, autonomous economy while ensuring stability and sustainable development. This is reflected in Vietnam's continuous improvement of the investment environment, creating favorable conditions for businesses, and particularly maintaining a healthy financial sector. Additionally, Vietnam has taken significant steps to ensure that fiscal policy not only aims for sustainability, efficiency, and equity but also reflects changes in science and technology and the power dynamics among major powers on the international stage.
To cope with the challenges from global economic fluctuations, the COVID-19 pandemic, and recently, the tensions from the conflict in Ukraine, Vietnam has focused on building and implementing macroeconomic goals while enhancing the effectiveness of international economic integration. The resolution of the XIII National Party Congress and the five-year socio-economic development plans have set the goal of building an independent and autonomous economy and promoting rapid and sustainable economic development. This includes proactive, comprehensive, extensive, and effective international integration to attract external resources for development, strengthen the connection of interests with partners, and elevate Vietnam's position and prestige on the international stage. In the context of increasingly deep international economic integration, the construction and implementation of effective fiscal policy solutions are crucial for Vietnam's economy.

2. THE ROLE OF FISCAL POLICY IN THE CONTEXT OF INTERNATIONAL ECONOMIC INTEGRATION
Fiscal policy is an important tool of the state for regulating the economy through budget management. Fiscal policy includes government decisions on taxes, public spending, and borrowing, used as tools to stabilize the economy, promote growth, and achieve sustainable development. There are two main components of fiscal policy: Taxes and Public Spending. Taxes are the primary source of state budget revenue, including types such as personal income tax, corporate income tax, value-added tax, import-export tax, and others. Public spending includes expenditures on education, health, security, defense, infrastructure, and other public services. Public spending can be divided into regular expenditures and development investment expenditures.

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International economic integration is the process by which countries open their economies and participate in the global market through trade, investment, and other economic relationships. International economic integration is often achieved through participation in free trade agreements (FTAs), international economic organizations such as WTO, IMF, and regional cooperation like ASEAN. International economic integration brings significant benefits to Vietnam's economy, playing a crucial role in promoting growth and sustainable development.

Fiscal policy plays an important role in regulating a nation's economy, especially in the context of international economic integration. One of the main roles of fiscal policy is to adjust aggregate demand. When the economy falls into recession, the government can increase public spending and reduce taxes to stimulate aggregate demand, create jobs, and increase income for people. Conversely, when the economy overheats, leading to inflation, the government can reduce public spending and increase taxes to curb aggregate demand, helping control inflation and stabilize prices. Moreover, fiscal policy also plays a significant role in redistributing income and reducing social inequality. Through progressive tax systems and public spending programs such as social subsidies, education, and health care, the government can support low-income individuals, improve their quality of life, and create a more equitable society. Fiscal policy also promotes sustainable economic development through investments in infrastructure, research and development (R&D), and education. Investments in these areas not only create short-term jobs and income but also enhance the economy's production capacity and competitiveness in the long run.

In the context of international economic integration, fiscal policy also needs to be flexible and adaptable to global fluctuations. Minimizing the negative impacts of external shocks such as global financial crises or commodity price volatility requires close coordination between fiscal policy and other economic policies. Furthermore, fiscal policy must ensure national financial sustainability, avoiding excessive public debt that puts pressure on the budget and the country's repayment capacity.

The role of fiscal policy in economic regulation is crucial and diverse, including macroeconomic stability, income redistribution, sustainable development promotion, and adaptation to international economic integration. Designing and implementing effective fiscal policies require careful consideration and coordination between state agencies, businesses, and the international community to achieve a sustainable and prosperous economy.

3. INTERNATIONAL ECONOMIC INTEGRATION AND ITS IMPACT ON FISCAL POLICY

International economic integration is the process by which a country opens up and participates in the global economy through the liberalization of trade, investment, services, and international financial flows. This process brings many opportunities and challenges to the economy, particularly in the formulation and implementation of fiscal policy. The impact of international economic integration on fiscal policy can be analyzed from several aspects:

First, enhancing state budget revenue

International economic integration opens significant opportunities for Vietnam to enhance revenue from customs duties and corporate income tax. Joining international economic organizations and participating in free trade agreements (FTAs) help Vietnam expand export markets, attract foreign direct investment (FDI), and create favorable conditions for domestic enterprises to develop. As economic activities expand, revenue from import taxes, corporate income taxes, and value-added taxes also increases, contributing to strengthening the financial resources of the state budget. However, to effectively capitalize on this revenue, the government needs to reform the tax system to ensure transparency, fairness, and efficiency in tax collection.

Second, pressure to reduce taxes and liberalize tariffs

International economic integration often comes with commitments to reduce tariffs and liberalize trade. This can put pressure on the state budget due to a decrease in revenue from import taxes. To cope with this situation, the government needs to seek other revenue sources, such as corporate income tax, excise tax, or enhance management and prevent tax evasion. At the same time, reducing tariffs also poses challenges in protecting domestic industries from the competition of imported goods. Fiscal policy needs to be flexibly adjusted to ensure budget revenue while supporting and protecting strategic domestic industries.

Third, increasing public spending on infrastructure development

International economic integration requires a modern and efficient infrastructure system to support business activities and attract investment. To meet this demand, the government needs to increase public spending on infrastructure

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development projects such as transportation, energy, information technology, and telecommunications. Public spending on infrastructure not only creates favorable conditions for business operations but also enhances the competitiveness of the economy. However, increasing public spending requires the government to have a stringent public financial management plan to ensure the effective use of funds and avoid waste and loss.

Fourth, reforming and enhancing the efficiency of public spending

In the context of integration, the need for reforming and enhancing the efficiency of public spending becomes urgent. The government needs to reassess public spending programs, eliminate ineffective projects, and focus resources on projects with significant impacts on economic and social development. This not only helps save resources but also improves the quality of public services, better meeting the needs of people and businesses. Simultaneously, applying modern management tools such as result-based budgeting, expenditure control, and investment efficiency evaluation will help increase transparency and accountability in public financial management.

Fifth, managing public debt and ensuring national financial sustainability

International economic integration creates many opportunities for borrowing from international financial sources at preferential interest rates. However, increasing borrowing also poses significant challenges in managing public debt and ensuring national financial sustainability. The government needs to develop a long-term public debt strategy, ensuring that public debt remains at a safe level and that the country can meet its repayment obligations. Additionally, there needs to be increased supervision and transparency of public debt information to build trust with investors and the international community. Effective public debt management not only helps maintain financial stability but also creates favorable conditions for sustainable economic development.

Sixth, supporting businesses in the context of international competition

International economic integration places Vietnamese businesses in a fiercely competitive environment with foreign competitors. Fiscal policy needs to support businesses, especially small and medium-sized enterprises (SMEs), in enhancing their competitiveness and expanding markets. Support measures can include tax reductions, financial support packages, training and consulting on management, technology, and export. Furthermore, there should be policies to develop human resources, investing in education and training to meet the needs of the international labor market.

Seventh, promoting institutional reforms and improving the business environment

International economic integration requires Vietnam to improve the business environment and institutions to attract investment and ensure sustainable development. Fiscal policy needs to support the simplification of administrative procedures, protection of intellectual property rights, and promotion of international cooperation. This will create a favorable, transparent, and competitive business environment, enabling businesses to invest and develop confidently. Simultaneously, policies to promote innovation and encourage research and development (R&D) should be implemented to enhance the economy's production capacity and competitiveness.

4. CURRENT SITUATION OF VIETNAM'S FISCAL POLICY

Vietnam's fiscal policy plays a crucial role in regulating the economy, ensuring financial stability, and promoting socio-economic development. This policy encompasses government decisions on taxation, public spending, and borrowing. Alongside monetary policy, fiscal policy is one of the two key tools used by the state to manage and steer the economy.

4.1. Tax Policy

Vietnam's tax policy is designed to ensure budget revenue, encourage investment, and support economic development. The tax system includes major taxes such as Corporate Income Tax (CIT), Personal Income Tax (PIT), Value Added Tax (VAT), and import-export duties. CIT applies to corporate income to stabilize budget revenue and incentivize business activities. PIT applies to individual incomes from wages, business, and other sources to ensure income distribution fairness. VAT applies to value added at each stage of production and distribution, serving as a significant revenue source for the state budget. Import-export duties are imposed to control trade and generate revenue.

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4.2. Public Spending Policy

Vietnam's public spending policy focuses on infrastructure development, improving public service quality, and supporting vulnerable groups. The government prioritizes spending on transportation infrastructure, energy, information technology, and other public works to facilitate economic development. Investment in education and healthcare is emphasized to enhance human resource quality and public health, contributing to sustainable social development. Significant resources are allocated to social welfare programs, including subsidies for the poor, disabled individuals, and other vulnerable groups, aiming to reduce inequality and improve living standards.

4.3. Public Debt Management

Public debt management is a critical component of Vietnam's fiscal policy. The goal is to ensure public debt remains at a safe level, does not strain the state budget, and maintains debt repayment capability. Measures include long-term public debt strategy development, enhancing transparency and accountability, and diversifying funding sources. The government discloses public debt information and strengthens monitoring for transparency and accountability. Seeking concessional loans from international financial institutions and strategic partners is pursued to reduce borrowing costs and ensure financial stability.

4.4. Coping with Economic Challenges and Fluctuations

Vietnam's fiscal policy is flexible in responding to economic challenges and fluctuations. During global economic crises, the government increases public spending and reduces taxes to stimulate aggregate demand, sustain growth, and stabilize the economy. Tax and public spending policies are adjusted to adapt to economic fluctuations and ensure financial stability. The government engages with international economic organizations and signs free trade agreements to expand export markets, attract investment, and enhance economic competitiveness.

In general, Vietnam's fiscal policy in recent years has been managed with flexibility and timely responses to macroeconomic developments, significantly contributing to economic stability, supporting growth, and ensuring social welfare. Despite achieving notable successes, there are still some limitations that need to be addressed to enhance the effectiveness of fiscal policy. Specifically, the scale of state budget revenues has not yet reached optimal levels relative to potential, and the budget structure lacks rationality. The efficiency of public investment remains low, with instances of waste and loss still occurring. Moreover, public debt management carries inherent risks that could affect national financial stability. In 2023, the fiscal situation showed notable highlights. The safety indicators for public debt were closely controlled, maintained within limits approved by the National Assembly. The Ministry of Finance submitted to the Prime Minister a decision approving the 3-year Public Debt Management Program for the 2023-2025 period and the Borrowing and Repayment Plan for 2023 with the objectives of ensuring full and timely repayment of public debts, without affecting the national credit rating; continuing to restructure the portfolio of government bonds; ensuring the task of mobilizing capital through diversified funding sources and borrowing methods, both domestically and internationally, to meet the balanced needs of the state budget and socio-economic development with appropriate cost-risk levels; closely monitoring public debt safety indicators at ceiling levels, warning thresholds, and promoting the development of the domestic capital market; maximizing the use of highly concessional foreign capital sources... The Government has implemented many policies to support people and businesses affected by the Covid-19 pandemic, including tax exemptions, reductions, deferrals, and increased social welfare expenditures. In particular, a support package worth 200 trillion dong, including tax exemptions, reductions, deferrals, fees, charges, and land rent, was implemented in 2022 and 2023. This is a significant milestone, demonstrating the positive role of fiscal policy in supporting the economy to overcome difficulties caused by the Covid-19 pandemic, while showcasing the flexibility and responsiveness of fiscal policy in addressing current economic challenges.

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5. MEASURES TO IMPROVE VIETNAM'S FISCAL POLICY IN THE CONTEXT OF ECONOMIC INTEGRATION

In the increasingly deepening global economic integration context, Vietnam's fiscal policy needs improvement to meet challenges and capitalize on new opportunities. Below are key measures to enhance Vietnam's fiscal policy amidst globalization and international economic integration:

Firstly, streamline and reform the tax system

Simplifying tax procedures and reducing complex administrative regulations is necessary to enhance tax efficiency and alleviate burdens on businesses. Vietnam should continue to reform its tax system, including leveraging information technology for automated tax filing and payment processes. Reviewing and adjusting tax policies to encourage investment and business development, while facilitating favorable conditions for economic activities, is essential. For example, reducing tax rates for small and medium-sized enterprises and improving tax incentives for priority sectors can stimulate economic growth.

Secondly, strengthen state budget management

Improving public expenditure management to ensure efficient and transparent use of state budgets is crucial. This involves implementing expenditure control measures, evaluating the effectiveness of public investment projects, and enhancing supervision to prevent waste and corruption. Investing in infrastructure is a critical factor in enhancing competitiveness and supporting economic development. The government should prioritize investment in areas such as transportation, energy, and information technology, while improving bidding processes and project management to ensure quality and efficiency.

Thirdly, enhance public debt management

Implementing stringent measures to control public debt is essential to maintain sustainable levels that do not exert significant pressure on the state budget. Regularly assessing public debt and adjusting borrowing policies according to economic conditions are necessary to sustain national financial stability. Improving public debt management includes establishing clear borrowing plans, controlling borrowing costs, and optimizing sources of borrowing. The government should also focus on enhancing the efficiency of borrowed funds to ensure that investments generate value-added contributions to sustainable development.

Fourthly, promote transparency and equity in fiscal policies

Transparency in budgeting and financial information is crucial to enhance transparency and fairness in state budget management. The government should disclose information on budget revenues and expenditures, investment projects, and audit results to enable public and business monitoring and evaluation of fiscal policies. Training and enhancing financial management capabilities for public officials are necessary to ensure effective implementation of fiscal policies. Regular specialized training programs on public financial management, budget analysis, and policy enforcement should be consistently conducted to enhance skills and knowledge among financial management teams.

Fifthly, seize opportunities from economic integration

Vietnam should capitalize on opportunities from participating in free trade agreements (FTAs) and international organizations to improve fiscal policies. These agreements can provide benefits such as preferential tax rates, expanding export markets, and attracting foreign investment. Fiscal policies should be adjusted to align with international commitments and leverage integration opportunities. Adjusting tax policies to incentivize foreign investment, including improving tax incentives for international investors and simplifying investment procedures, can attract investment and facilitate business expansion and development of key industries.

Sixthly, enhance the effectiveness assessment system of fiscal policies

Establishing effectiveness assessment indices for fiscal policies is essential to measure the success and efficiency of implemented policies. These indices may include budget implementation rates, public expenditure efficiency, and the impact of tax policies on economic growth and social equity. Regularly evaluating fiscal policies helps identify strengths and weaknesses in current policies. The government should conduct independent audits and evaluate financial programs to improve policy decisions and make timely adjustments when necessary.

CONCLUSION

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Improving fiscal policies in the context of international economic integration requires a comprehensive and effective set of measures. Streamlining the tax system, strengthening budget management, controlling public debt, promoting transparency and fairness, seizing integration opportunities, and enhancing policy effectiveness assessment are critical factors that can help Vietnam achieve sustainable development in the global economic environment. By implementing these measures, Vietnam can enhance competitiveness, create favorable conditions for economic development, and improve the quality of life for its people.

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