This final chapter sets out to revisit the core themes of the book through engaging with the arguments made in the chapters, and attempts to frame the socialist market economy model within a larger international context. The main purpose of the authors of this book is to further our understanding of what the socialist market economy construct is, in theory and practice. Comparing the models of China, Vietnam and Laos in one volume, we are better positioned to see the main characteristics of the socialist market economy as a whole, and the similarities between the three countries, but we have also exposed the differences between them. Following the main overall themes of the book, the chapter looks at the
social market economy through discussions of ideology, the state and market relationship, environmental sustainability and state and society. We then take a closer look at the main similarities and differences of the model in China, Vietnam and Laos, as well as some main trends in the relationship between the three neighbouring countries. Finally, at the end of the chapter, we identify some themes for further research, with special attention given to the developmental state agenda, political developments and the impact of ongoing changes in international politics.

**On Ideology**

Examining the model of ‘socialist market economy’, a core theme is naturally the relationship between socialism and market, or socialism and capitalism. The contributors to this book agree that the market has gained increased prominence in all three countries, China, Vietnam and Laos. The private sector today accounts for a relatively large part of the output in their economies, many state-owned enterprises are or are being privatized (or ‘equitized’) and the authorities have opened up for private solutions within health and education, sectors that traditionally are the responsibility of the state, also in a number of Western market economies. The growing influence of market solutions in China, Vietnam and Laos over the last 2–3 decades is part of a larger international trend. The most notable international example of the neoliberal influence on earlier socialist left-oriented parties is the British ‘New Labour’ party and the early discourse about the ‘Third Way’. The principal objective of the ‘Third Way’ was to temper free-market capitalism with social justice, while attempting to avoid an ‘excessive domination of the state over social and economic life’ (Giddens 2000: 13).

There has been a long-term decline in the support of social-democratic and socialist parties in Western Europe. During the 2017–2018 elections this decline accelerated strongly. The situation in the former socialist East and Central Europe is equally grim for the left (Berman and Snegovaya 2019; Rovny 2018). The weakening of the political left in Europe has been long in the making, and is largely caused by deep structural change and the decline of European manufacturing during the late twentieth century. In this process, a considerable part of the traditional electorates of left-wing parties has largely disappeared as a social group (Rovny 2018). The left’s shift to the centre on economic issues and its acceptance of ‘neoliberal’ reforms such as privatization of parts of the public sector,
cuts to taxes and the welfare state and deregulation of the business and financial sectors has been pointed to as an important explanation for the sudden recent weakening of its position (Berman and Snegovaya 2019; Mudge 2018).

When structural changes in the socio-economic landscape of Europe can have such a profound impact on European politics, it should come as no surprise that the ‘socialist market economies’ in China, Laos and Vietnam after three decades of high economic growth and globalization have also changed in fundamental ways. Although the communist parties are still in power in these three countries, their economic and social policies have been transformed, and the ‘New Socialist Man’ of contemporary China, Vietnam and Laos has changed accordingly (Chen 1969), and perhaps been replaced by an urban, middle-class ‘socialist consumer’, as Hansen argues in his chapter.

The communist parties in China, Vietnam and Laos are children of similar types of class-struggle that saw the birth of leftist parties in the West, although as noted by Cole and Ingalls in this volume, they to a larger extent started out as rural movements, and their strong anti-imperialist strand was different from in the West. Their roots go back to the interwar period. They were strongly influenced by anti-imperialist struggle against colonial rule in French Indochina, foreign dominance in the nominally independent China, fights against Japanese occupation during the Pacific Wars (1937–1945) and wars against the United States in Korea (1950–1953) and Indochina (1963–1975). The peasant support base was pivotal in many of these conflicts and garnered through aims and actions to end rural inequality. The socialist movement in Europe fragmented into communist and social-democratic political parties, with the latter working towards evolutionary changes within the existing system, whereas the communist regimes coercively made sure the socialist movements in China, Vietnam and Laos remained communist.¹

¹In fact, the socialist parties in Asia outside of the communist run countries also developed in a different direction than in Europe. A deep schism developed in the world Socialist movement in the early 1950s, led by the Asian Socialist parties. The schism was obvious already at the 1951 congress of the Socialist International in Frankfurt, and resulted in an independent Asian Socialist movement, which convened in Rangoon in January 1953. A discussion of the reasons for the schism is beyond reach in this chapter, but the legacy of imperialism and the Cold War setting in Asia were two important reasons. See for instance Saposs (1954).
In the 1990s and 2000s, in particular China and later Vietnam, became hosts of the manufacturing industries that had been the backbone of leftist parties in the West. But labour movements in globalizing Asian capitalism are mostly very weak, something that rather ironically also is the case in the socialist market economy, as Nordhaug discusses in his chapter.\(^2\) Furthermore, the left and right wing political dichotomy with regard to state and market has been different in Asia than in Europe. The original East Asian developmental state model in Japan, South Korea and Taiwan remains one of the chief points of reference, both analytical and political, for those who reject the neoliberal global order.\(^3\) However, the relatively strong state-driven economic reforms in Japan, South Korea and Taiwan did not take place under the rule of socialist parties, but under conservative or right-wing parties. Japan’s economic miracle was largely formed under the leadership of the conservative right-wing Liberal Democratic Party (LDP),\(^4\) and the developmental states in South Korea and Taiwan were to a large extent shaped under right-wing authoritarian rule (Cumings 1984). Hence, the role of the state versus the market in economic reforms has to be understood beyond the traditional schism of the political left versus the right, or socialism versus capitalism, as understood in Europe. Moreover, the economic models of Japan, South Korea and Taiwan have changed as well, and there is an ongoing debate about whether the classical developmental state model still is a viable option, under deep globalization in the world economy (Tian 2020; Hayashi 2010).

\(^2\) The history and role of the labor movement is different in all three East Asian Developmental States, Japan, South Korea and Taiwan. In Japan, although the trade unions were closely linked to the Japanese Socialist Party, decades of conservative LDP government and high economic growth moderated the political role of the trade unions (Carlile 1994). In Taiwan, the industrialization created a large working class that played an important role in the democratization process in the 1980s, but its labour movement never remained a politically important force (Congiu 2011; Minns and Tierney 2003). In South Korea, labor activism became an integral part of the social movements demonstrating against authoritarian rule, and in particular during the 1970s and 1980s. Union activists in Korea continued to turn to the streets protesting also after democratization (Lee 2006, 2015).

\(^3\) For a discussion on this, see for instance Stubbs (2009) and Radice (2008).

\(^4\) The LDP was founded in 1955, after merging two right-wing parties in order to form a stronger united front against the threat of socialism. See Kapur (2018) and Sachsenröder and Frings (1998).
Describing the socialist market economy as ‘Market-Leninism’, London finds in his chapter that resource allocation in China and Vietnam mainly takes place through competitive markets while key features of the Leninist one-party state remains in place. State actors with close affiliation to the communist parties control important parts of the private economy, and the dividing line between private and public enterprise is frequently blurred. This view is echoed by Bui Hai Thiem, arguing that within a Leninist political system, a neoliberal logic influences the economic programmes. According to Bui Hai Thiem, in China and Vietnam, neoliberalism and statist socialism co-exist in a highly complex and fluid context. Despite these similarities, there are differences in the state’s capacities to influence and transform their economies in our three cases. These differences are rooted in long-term patterns predating their socialist market economies. China has stronger capacities than Vietnam, which in turn has stronger capacities than Laos (e.g. Creak and Barney 2018; Vu 2010).

In the process of adjusting their socio-economic programmes to ‘the socialist market economy’ from the 1990s onwards, the authorities in China, Vietnam and Laos embraced large parts of the same neoliberal reforms that both the social-democratic parties in Europe as well as the East Asian developmental states all implemented into their party programmes in the 1990s and 2000s. However, in Laos, as noted by Rehbein, it is only a small part of the elite that has truly embraced capitalism while a somewhat larger share of the population still conforms with old socialist values.

The socialist market economies’ embrace of elements of neoliberalism has been driven by four distinct, yet interlinked factors. First, political leaders realized that the market economy could serve as a tool used to deliver progress, not a different way of organizing society. Second, through trade and investments as means to economic growth, their economies were exposed to global capitalism, and the integration into the world economy meant they had to fulfil obligations in international treaties to facilitate for fair trade and reducing subsidies to state-owned enterprises. Third, in responding to changing expectations among the public as a result of increased living standards and the breakdown of previous socialist welfare institutions, the authorities have gradually implemented modern welfare policies (more so in China than in Vietnam, and more in Vietnam than in Laos) in order to ensure social stability, of which private solutions are important parts. Fourth, development success has led
to massive structural changes in the socio-economic landscapes in these countries, like ageing, urbanization and changing employment patterns, and the authorities have been forced to respond to these changes. In Europe, the socialist left embraced neoliberalism to remain relevant for the voters, while in the one-party systems in China, Vietnam and Laos, the authorities embraced part of the neoliberal logic as a strategy for regime survival. Nevertheless, as London reminds us in his chapter, although the socialist market economies reflect elements of neoliberalism, their political economies are not usefully understood as neoliberal.

The urban middle classes, the old enemies of the socialist project of a classless society, are now a central part of the of the ‘socialist market economy’ project, although the term class is usually avoided. The middle classes, or middle-income groups in party rhetoric, are incorporated into the project to ensure stability, and are seen as a pillar in the transition to a more consumer-based economic model. According to Hansen, the middle classes are generally relatively satisfied with the ‘socialist market economy’, at least as long as it continues to deliver economic growth.

The ‘socialist market economy’ model shares some similarities with European democratic socialism in embracing elements of neoliberalism, and it resembles the original East Asian developmental state model in how the state continues to play a strong role governing the economy. Yet, the ‘socialist market economy’ model has some unique characteristics. One obvious distinction is the one-party system with elements from the old Leninist structures, and how this informs the protection of rights, and issues like transparency and accountability. The shortcomings with regard to labour rights are illustrated by Nordhaug in this volume. Another divergent characteristic of the ‘socialist market economy’ is the state control of land ownership. Furthermore, as discussed by Bekkevold, the ‘socialist market economy’ model has been moulded in the context of a world economy very different from the time of the classical East Asian developmental state.

The strongest trademark of the ‘socialist market economy’ model may be its pragmatism with regard to socialism and the market economy. The famous slogans associated with Deng Xiaoping—‘it doesn’t matter whether a cat is black or white, as long as it catches mice’ and ‘let some people get rich first’, has continued to be a strong guide throughout the reform process. The socialist legacy still has a prominent position in party documents and rhetoric, but the solutions are increasingly market based. The pragmatism actually goes beyond embracing the market. As Rehbein
discusses in detail, Laos under a socialist market economy is a hybrid of socialism, capitalism and earlier structures. In China and Vietnam, Confucianism, another old enemy of the communist revolutions, is now embraced, connecting the model with their pre-socialist legacy.

STATE AND MARKET

Despite similarities with the East Asian developmental state in terms of the role of the state, China, Vietnam and Laos have been more open to trade and foreign investments in the early phase of their reforms, but like their developmental state predecessors they were also able to reap the benefits of globalization through labour-intensive manufacturing. The combination of one-party rule and being late developers within the context of a neoliberal global economy has made the socialist market economy into a unique development model.

The market and private enterprises are now integral parts of the socialist market economy. For example, the Vietnamese Party Congress in 2016 for the first time acknowledged the contribution of the private sector to the economy, and at the 5th Plenum of the Vietnamese Communist Party Central Committee in 2017, it was stated that the private sector shall be treated on a par with other sectors of the economy. Nevertheless, at the core of the socialist market economy is the idea that the state should retain control of key economic sectors.

One important way of retaining state control of the economy has been through state-owned enterprises, but in all three countries the state is now more selective in its ownership, with a focus on strategic sectors. SOEs should thus be restricted to sectors such as natural resources and public utilities that are not sufficiently remunerative for the private sector, and sectors that are important for national defence. In Laos, the authorities have undertaken considerable privatization even within one of the country’s key economic sectors, hydropower electricity, and electricity companies still owned by the state are reformed into self-financing commercial entities (Songvilay et al. 2017).

Examining reforms of state-owned enterprises in Vietnam, Knutsen and Do Ta Khanh find that since 2016 there have been attempts to speed up equitization and privatization of the SOEs. In contrast to earlier reforms of the SOEs when Vietnamese authorities largely responded to demands from external agencies such as the World Bank, the policy agenda is now more motivated ‘from within’, driven by bad debt and
corruption in state-owned enterprises. The plan is to accelerate equitiza-
tion of the remaining SOEs that are not engaged in strategic industries,
and sell a larger portion of the shares in already equitized SOEs and
list them on the stock exchange. However, in their respective chapters,
Knutsen and Do Ta Khanh as well as Bui Hai Thiem, discuss how bureau-
cratic obstacles and vested interests have contributed to slow down the
reforms.

The transition from plan to market economy in China, Vietnam and
Laos is slowest in the financial sector. In his chapter, Bekkevold discusses
how the state largely remain in control in banking, finance and monetary
policies, and that the state in all three countries willingly intervene and
regulate the capital markets and their stock exchanges. China, Vietnam
and Laos have tried to develop policies that both embrace the global
economy and at the same time shield their political system and economy
from too much exposure and pressures for reform. They were able to
take advantage of being latecomers, integrating into global value chains
through trade in goods and facilitating for inward FDIs, and viewed trade
and incoming FDI as necessary tools for economic growth without losing
too much control of their respective economic policies, whereas they
have taken a more careful approach embracing capital market deregula-
tion and foreign portfolio investments. The severe economic and political
consequences of the Asian financial crisis convinced them to strengthen
their banking and financial systems, but also to maintain a more careful
approach towards financial globalization.

The stock markets in all three countries are comparatively new
phenomena, and although foreign participation in their stock and bond
markets has risen in recent years, it remains relatively low compared with
international peers. Still, the Shanghai and Shenzhen stock exchanges are
already among the largest in the world in terms of market capitaliza-
tion. As Bekkevold notes, such a fast growth of newly established stock
exchanges with immature regulatory agencies, human resources, auditing
and reporting would cause growing pains in any country. As discussed by
Bekkevold, the World Bank, the Asian Development Bank and the Inter-
national Monetary Fund all point to vulnerabilities in the financial systems
of China, Vietnam and Laos. Building institutions, regulatory agencies,
laws and competence to run a market economy takes time, and is still
very much an unfinished business in all three countries.
State, Market and the Environment

The ‘socialist market economy’ model has failed with regard to environmental sustainability, at least up to this point in history. The rapid economic development has taken a heavy toll on natural resources and the environment in China, Vietnam and Laos. The enormous scale of China’s economic growth has turned it into the world’s largest emitter of climate gases, contributing to environmental degradation on a global scale. Emissions are increasing rapidly also in Vietnam, although on a smaller scale. Furthermore, in all three countries, climate change and natural disasters threaten to undermine development.

Cole and Ingalls indeed note that Vietnam’s and China’s exploitation of land and natural resources to meet economic priorities has begun to take hold across the border in Laos, pointing to growing environmental and human impacts as intensive commercial agriculture has expanded into marginal rural spaces. While China and Vietnam have had some success in reforestation, they have exported deforestation to Laos, which has become a frontier for investments in exploitation of land and natural resources in the Mekong region. The abundant rivers of Laos are being dammed according to the government’s target of becoming the ‘battery of Asia’, and although hydropower is a clean energy source and the policy is presented as ‘green growth’ it has irreversible environmental impacts, undermining the viability of fisheries in the rivers, displacing livelihoods and riverine farming and fishing communities.

In addition, Ortmann reminds us that Vietnam is one of the most affected countries when it comes to climate change, with flooding of coastal areas, salinated water destroying farming areas and extreme droughts. By 2050, almost ten per cent of Vietnam’s population is expected to be affected by coastal flooding (UNDP 2019). Climate change will also seriously affect economic growth and livelihood in China as well as in Laos.

Explaining the reasons for the relatively bad environmental protection record in the socialist market economy, Ortmann in his chapter points to how economic growth has been the basis for the legitimacy of the regimes, to the detriment of environmental sustainability. Moreover, there is a lack of checks-and-balances in the system, and many within the governments have profited disproportionately from exploitation of the environment as the economic growth took off to unprecedented heights. Furthermore, authorities have had low environmental awareness,
with a shortage of skilled personnel within the government to implement environmental programmes.

Nonetheless, the situation is not totally dark. China is seemingly taking the environmental challenge seriously. It is now taking leadership in international climate diplomacy, which is a huge step forward from only one decade ago. After the COP 15 meeting in Copenhagen in 2009, China was accused of ‘holding the world ransom’ and seen by many as a climate laggard (McCarthy 2009). Today, China is an indispensable party to all matters concerning global climate change (Kaneti 2020). China has implemented a wide set of policies in sectors like energy, mining, food, forestry and water to rectify decades of environmental neglect, and it is working towards a change in its energy mix with a larger percentage of green energy (Bekkevold and Tunsjø 2018). However, it will take a long time before China runs on green energy. For instance, coal consumption peaked in China in 2013, and government efforts to improve the energy structure saw coal use fall for a number of years. The decline halted and consumption rose again in 2018, suggesting China at times will de-prioritize energy saving and emissions reduction to keep its economy running (Hao and Baxter 2019).

Vietnam’s environmental governance capacity is not as strong as in China, but as Ortmann discusses in his chapter, environmental sustainability started to climb higher on the agenda of Vietnamese policymakers after the turn on the century. According to Ortmann, Vietnam’s authorities have strengthened the power and professionalism of environmental agencies, implemented a number of legal reforms, and built a stronger partnership with corporations, NGOs and foreign donors in order to benefit from their resources and skills. Similar to China, a focus on renewable energy—mainly hydro but increasingly also solar—coexists with large, state-owned coal and petroleum sectors.

In all three countries, China, Vietnam and Laos, environmental sector management is relatively inclusive sector in the sense that the public is being consulted and involved in policies to a larger extent than on other matters. Ortmann points to the rapid growth of new societal actors in Vietnam as the clearest indicator of the evolving governance structures, and these groups are starting to play an unprecedented role in policy-making and implementation. Activism outside of the state apparatus on environmental issues has been tolerated and even sometimes encouraged. In addition, there has been an increase in environmental protests in local
communities, and in some cases the public have been successful in pressuring local governments and businesses to comply with environmental regulations. The emergence of social media has also helped activists to mobilize communities for environmental causes.

A similar development is observed in China. In 2013, the Xi Jinping administration fully embraced the concept of ‘Ecological Civilization’, which has been promoted as an ideological framework for guiding the future of Chinese politics and society. In 2014, the Chinese government revised the Environmental Protection Law for the first time since 1989. The modified law strengthened environmental protection by fining polluters. NGOs were permitted to bring public interest lawsuits against those who violated the law, while local officials were held accountable for the environmental standard in their regions (Mühlhahn 2019).

These initiatives from the political centre contribute to increased public awareness, and within this framework there is space for protests and negotiations at the local level between authorities and citizens (Hansen and Liu 2018). There is a ‘mixture of authoritarian and democratic features’ at the implementation stage of environmental policies in China (Ahlers and Shen 2018). That said, China’s ‘environmental state’ is found to be strong in rhetoric and strategies yet often weak in implementation (Turiel et al. 2017).

The environmental sector in China, Vietnam and Laos is global both in terms of increasingly contributing to global climate change, as well as in how the authorities in these countries now engage with the international community to address the challenge. As Ortmann and Cole and Ingalls show in their respective chapters, a wide range of international actors, including governments, international organizations like the World Bank, the Asian Development Bank and various United Nations agencies, large multinational corporations and civil society organizations such as the World Wide Fund for Nature (WWF), participate in the policymaking process and the implementation of environmental policies.

State and Society

China has the most unequal income distribution of the three socialist market economies. This has been a source of growing social tension. During the leadership of Hu Jintao and Wen Jiabao in the early and mid-2000s, the government rolled out a series of social policy initiatives as a response to these tensions and to stimulate domestic consumption and
economic growth. At the time, unfair access to basic social services was an important reason for a growing number of local protests across the country, and people saved a large part of their income to pay for basic welfare. The Chinese government abolished agricultural taxes, extended health insurance, secured access to basic education, pensions and provided income support to both rural and urban residents. Particular emphasis was put on reducing the gap between urban and rural populations and a campaign to improve life in rural areas—‘Building a new and socialist countryside’—was launched.

Social policies continues to be a key instrument for the Chinese government also under Xi Jinping. As observed by Dalen in her chapter, high economic growth both forced and allowed the Chinese government to develop a more comprehensive social policy, and she argues that China has come a long way towards a universal welfare state for all Chinese citizens. In China, the official policy is now that the government is responsible for providing basic medical services or purchasing certain services, and that non-basic medical services should be provided by the market. In 2013 the Chinese government presented detailed guidelines on developing a large-scale industry of private health services, while non-profit civil society organizations are seen as an integral part of the social policy system. Moreover, China is giving increased priority to digital solutions such as e-health and e-learning. In fact, China has emerged as one of the global leaders in promoting information and communication technology for education (ICT4E).

Even though China has taken important steps to establish a more comprehensive welfare system, it still faces daunting challenges related to inequality. While income is distributed more evenly in Vietnam and Laos than China, their performances are also wanting. The elites in all three countries, including the most powerful so-called ‘cadre-capitalist’ class (So 2003), have accumulated significant amounts of wealth and power. China’s wealthy are among the richest in the world, with a steady increase in the number of super rich. While this number saw a slump in 2019 following economic slowdown (Forbes 2019a), the wealth of the richest among them has continued increasing (Forbes 2019b). Five Vietnamese billionaires make it to Forbes’ list of the richest people in the world, including Vietnam’s richest person and owner of the powerful Vingroup conglomerate, Pham Nhat Vuong (Dat Nguyen 2019). The rich in Laos have not made it to the Forbes list, but the fact that former long-serving
President Khamtai Siphandone is close to being a billionaire and considered the country’s wealthiest man (ProspectsASEAN 2018) serves as a reminder of the close connection between politics and economy also there. In his contribution to this volume, Hansen shows that not only the rich, but also the new socialist middle classes openly display their wealth. Yet, displaying wealth can be risky. A number of billionaires in China have been imprisoned and even executed if they cross the line in terms of crimes, corruption or have the wrong political ties (Anderlini 2017; Chao 2013).

Smallholder farmers were at the core of the early socialist revolutions. In the socialist period the farmers became rural workers in collective agriculture, although the depth and duration of collectivization varied between countries and regions. During the market reforms farming families received use rights to land, and smallholder family agriculture became the prevalent model of the socialist market economies. Rural income growth lagged behind urban growth in the market reforms. This trend has however been reversed in China and Vietnam, although the urban–rural income gap remains high. In Vietnam the average urban to rural income ratio declined from 2.3 in 2000 to 1.9 in 2016 (CEIC, n.d.) In China urban–rural income disparities peaked in 2009 and have declined since then. The average urban to rural income ratio was 2.7 in 2018 (Naughton 2018: 144; China Statistical Yearbook: Tables 6–11, 6–23). Data are more sparse when it comes to Laos, making a comparison difficult, but urban–rural inequalities in terms of consumption were growing from a relatively low starting point during the period 2007/2008–2012/2013 (World Bank 2014: 2, Table 4). There are obvious and stark inequalities between ethnic majority and minority populations, and ethnic minorities are grossly overrepresented in poverty statistics in all three countries (Banik and Hansen 2016; Pimhidzai and Houng Vu 2017).

Another challenge is the transformation of the labour market, with more people employed in the so-called ‘grey economy’ outside the established social safety net. Labour-intensive production with low-cost labour, mainly from rural migrants, have formed the backbone of the export-oriented industrialization models in China and Vietnam. As Nordhaug shows in his chapter, party-controlled labour unions have not allowed for the countervailing force of labour unions against employers, resulting in the economic growth taking place under often dire conditions for the workers. Interestingly, Nordhaug demonstrates that Vietnamese local authorities are more favourably inclined to the demands of workers than
their Chinese counterparts. Nonetheless, labour contracts in the manufacturing industries guarantees access to basic services for an increasing number of workers, but this is changing as the economy moves away from traditional industries towards services and innovation, particularly in China.

Looking into the future, it will be increasingly challenging for the socialist market economies to fund the growing demands for welfare, as is the case for many Asian (and indeed also American and European) countries. This is the case in China, where the growth is slowing. And in all three countries increased living standards have changed expectations towards higher demands, particularly from the emerging middle classes.

China is soon home to the largest middle class in the world, and Vietnam has perhaps the most rapidly growing middle class in Southeast Asia. In his chapter, Hansen argues that to keep the middle classes satisfied, the socialist market economies are more dependent than ever on delivering development, and as Dalen reminds us, this also includes welfare services. At the same time, China continues to face serious population challenges such as low and decreasing fertility, a rapidly growing elderly population and a shrinking labour force. In the years to come, further tax reforms will be crucial in the financing of an ever expanding Chinese welfare state, but Dalen observes that as for now, the willingness to pay individual tax is low in China, meaning that indirect taxes and company tax are important sources for financing welfare. Moreover, there is a preference in China of the government as the main provider of welfare services, presenting the government with a challenge in promoting non-state actors as key in the service delivery. In the transition to an economy driven by services and consumption, where innovation, technology and education will be key, new ‘winners and losers’ will emerge in the socialist market economy, and new social risks can arise.

**Development Models, Competition and Collaboration**

China, Vietnam and Laos share the core characteristics of the ‘socialist market economy’ model presented earlier in this chapter. The one-party system is in place in all three countries, as is the restrictive regime with regard to land ownership. They have all embraced important elements of neoliberalism, but with the state still in control of key sectors of the economy. For instance, they have all been relatively open towards trade
and incoming foreign direct investment, and share similar reservations with regard to liberalization of their bank and finance sector as well as monetary policies. China, Vietnam and Laos have all been late-developers and pursued state-led strategies in a global context of neoliberalization.

The three countries have to different extents been able to take advantage of their latecomer position, particularly in terms of attracting foreign investments. China has managed to develop a strong domestic industry sector and is moving towards high-tech, while Vietnam has faced a ‘stalled transition’ (Masina and Cerimele 2018) and mainly been able to develop a FDI-led labour-intensive industry sector which to a large extent depends on foreign technology. Laos is in this regard the odd one out, and has hardly seen any industrial development. Remaining a largely agrarian and resource-exporting economy, the country’s development strategies and paths have diverged significantly from those of its two considerably larger and more powerful neighbours. Furthermore, unlike China, Vietnam and Laos were heavily reliant on foreign aid in the early phase of reform, and Laos to some degree still is.

The liberalization of trade and investments has facilitated for closer economic cooperation between China, Vietnam and Laos, both through bilateral channels, between Vietnam and Laos within the framework of the ASEAN Economic Community, and with China through the China–ASEAN Free Trade Area. Nonetheless, as Bekkevold elaborates on in his contribution, China, Vietnam and Laos have historically had a complex relationship, and some disagreements continue to shape and limit their level of cooperation.

One controversial issue is the damming of rivers in Laos, which takes place with strong Chinese involvement, and with mainly negative consequences for Vietnam (see RFA, 2016 for a useful overview). Due to the impact of damming on water levels in the Mekong, Vietnamese authorities have long been critical towards hydropower developments in Laos, but Vietnam is also concerned about China’s increasingly strong foothold in Laos, Vietnam’s historical ally. Interestingly, in 2019, the state-owned oil company PetroVietnam decided to invest in the construction of a large dam close to Luang Prabang in Laos, despite official Vietnamese statements against further damming of the Mekong. It is uncertain whether this decision was driven by commercial or geopolitical motives (Fawthrop 2019).

China has emerged as the most important economic investor and developmental partner for Laos. Although Thailand remains Laos’ main
trading partner, China’s position in Laos is expected to be further enhanced by the Belt and Road Initiative (BRI). Laos, as well as Cambodia (Pang 2017), seems to be drifting into China’s sphere of influence. The situation is different with regard to Vietnam. For historic reasons, there is still strong anti-Chinese currents among the Vietnamese population, and as both Bui Hai Thiem and Bekkevold point to, they have overlapping claims in the South China Sea that goes to the core of national security concerns in both countries. Vietnam seems to have more will and ability to resist a strong Chinese influence than Laos.

The degree of cooperation between China, Vietnam and Laos and the coherence of their model, will continue to be shaped partly by national characteristics and priorities, and partly by the international context at any given time. In the next and final part of this chapter, we will look at some potential developments and research agendas with regard to the future of the socialist market economy, at both the domestic and international level.

**Future Developments and Research Agendas**

An exhaustive list of future research agendas related to the development of China, Vietnam and Laos is beyond the scope of this brief summary. Yet we identify three broad clusters of issues that will be of importance; economic development strategies; political developments; and the positioning of these communist regimes within a changing international environment. Developments in these three clusters are closely connected and will influence each other. Let us first look at economic development. China is in the midst of several transitions of its economy, from export-driven to consumption-driven growth, from high growth to sustainable growth, and from labour-intensive to innovation-driven growth, and it is doing so with a mix of state and market, and eventually Vietnam may face many of the same challenges as China in their industrial upgrading.

One development to follow with particular scrutiny is the role of the state in innovation (Baark 2016). China has a very ambitious high-tech agenda, including the ‘Made in China 2025’ programme. This is at least so far mainly a state-led industrial policy that seeks to make China dominant in global high-tech manufacturing (McBride and Chatzky 2019). Many of the sectors in this programme are viewed as strategic industries, and the state is firmly in the grasp of it through an ‘elite empire of state-owned enterprises’ (Baark 2016; Naughton and Tsai 2015). As
a response to harsh criticism from the United States, calling the ‘Made in China 2025’ a subsidy-stuffer to advance China as a global technology leader at U.S. expense, China has downplayed the policy, but not changed it (Wei 2019). To the extent that China’s entry into the fourth generation industrial revolution and the introduction of artificial intelligence will be state dominated or more a mix of state and private entrepreneurs will be important for the future of its economic model. In Vietnam there has so far been much talk of developing a domestic high-tech agenda, and there have been attempts to use the state-owned corporation sector to strengthen upgrade yet industrial policies have largely been missing, or unsuccessful. One important exception to this rule appears to be Vietnam’s state-owned telecommunications industry (Ngo 2020: 198).

Economic upgrading may be necessary to sustain the human development of the socialist market economies, but it is probably not sufficient. As argued by Nordhaug in his chapter, the socialist market economies face an uneasy balance between ‘accumulation’ and ‘legitimation’. This applies not only to industrial relations, but also to welfare and sustainable development. Human development and sustainable development will be important to avoid labour conflicts, conflicts over land and environmental protests that may not only disturb economic development but also result in instability. It remains to be seen to what extent responsiveness towards popular concerns and increasing attention to environmental governance will contribute towards mitigating the so far dramatic environmental unsustainability of the socialist market economy.

The second cluster of issues that will inform the future of the socialist market economy is political developments. Due to the continued one-party system in China, Vietnam and Laos, special attention has to be given to political developments within these countries. In multiparty systems, the emphasis on state versus market solutions will move in cycles depending on whether the government is predominantly left or right wing. As alluded to in our introduction, the gradual and evolutionary introduction of market reforms in China, Vietnam and Laos have not been linear either, and each country has faced crossroads where they have halted, turned or even reversed the process. Bui Hai Thiem calls this the ‘double movement of accommodating and resisting neoliberalism’. The political-economic cycles in the socialist market economies are not driven by change of government, but by internal disagreements, fractions, leadership priorities or reactions to internal or external shocks, like for instance the Asian financial crisis in the late 1990s.
In this volume, Rehbein describes how Laos since its Tenth Party Congress in 2016 seems to have returned to a more socialist agenda, and the agenda is pushed by the remaining heroes of the revolution of 1975. A growing number of reports argue that particularly China—but also Vietnam (Amnesty International 2018)—has rather become more rigidly suppressive in recent years (McGregor 2019; Economy 2018). In China, the Communist Party is seen as taking on a larger role in all aspects of society and governance (Batke 2018), and the separation of party and government initiated under Deng Xiaoping is now being reversed, driving China in the direction of neo-socialism with a fusion of party and state responsibilities (Brødsgaard 2018). China is attracting attention globally for its methods and innovative ways of policing society, including through its social credit system which is often portrayed as a dystopian nightmare resembling an Orwellian ‘big brother’ society (Mosher 2019; Chorzempa et al. 2018). Furthermore, there is a concern that the all-powerful leadership of Xi Jinping is weakening institutional governance (Shirk 2018), and it is even suggested that China has entered into some form of crony capitalism (Pei 2016). There is an inherent danger in top-down driven systems of suppressing development.

The future role of the expanding middle classes, as discussed by Hansen in this volume, merits further research, including on how it might influence political developments. So far, however, the middle class seems to be ‘very much of the system’ (Gainsborough 2010: 17). The uneasy relationship between the moral expectations in party rhetoric towards responsible consumption and the embeddedness of increasing consumption in the socialist market economy will also be important, particularly since the consumption patterns of these new middle classes will have global environmental consequences. Another topic to follow is the debate about authoritarian resilience, and the ability of the regimes to adapt to the changing environment (Fewsmith and Nathan 2019; Nathan 2003; McGregor 2010; Shambaugh 2008).

The third main cluster of issues that will shape the future of the socialist market economy is larger events and structural changes at the international level. The Asian financial crisis in the late 1990s and the global financial crisis a decade later in different ways informed developments in China, Vietnam and Laos. Even though the Asian financial crisis discredited the East Asian developmental state model at a global level, China, Vietnam and Laos interpreted the crisis differently, and in the process of strengthening their financial systems, they made sure that the state
remained in control of the bank and finance sector (Wong 2004). The
global financial crisis, at least as seen from Beijing, increased the conﬁ-
dence in their own state-driven model, but it again led to another round
of debate on how to safeguard ‘ﬁnancial sovereignty’ (Li and Zhou 2015).

The world economy is now facing another type of international chal-
lenge, in the form of the Covid-19 virus. It brings two lessons for China,
and possibly for the socialist market economy as model. First, the foot-
dragging management of the outbreak of the virus in China will lead to
internal criticism and demands for increased transparency, similar to what
happened in the aftermath of the SARS in 2003 (Chi 2003). Second,
the effective manner in which the Chinese government has managed to
contain the spread of the virus will certainly contribute to boost the
conﬁdence of the leadership in Beijing with regard to its own model.

Although originating in China, the virus has larger consequences
outside of China. At the time of writing, it is too early to comprehend the
consequences of what is unfolding, but Chinese authorities have managed
to largely contain the spread of the virus to one single province, while
in most other countries, and in particular in Europe and in the United
States, the virus is spreading across larger parts of the countries. It means
that whereas China can do with a local shutdown of activities, other coun-
tries have to implement a nationwide shutdown for an extended period,
with long-term and wide-ranging economic consequences. Already, a few
weeks into the crisis, it is speculated that the Covid-19 crisis will further
increase the standing of China on the international scene (Campbell and
Doshi 2020), and end globalization as we know it (Farrell and Newman
2020). In that case, the Covid-19 crisis will reinforce structural changes in
world politics that have been unfolding for some time already, as discussed
by Bekkevold in his contribution to the volume.

Developed market economies are increasingly sceptical towards China’s
economic model, criticizing China’s use of state subsidies, unfair trade
policies and manipulation of the currency. The United States has since
the 1990s continuously conveyed this criticism towards China, but due
to China’s recent arrival as an economic competitor and rival, the United
States is now more willing to follow up its criticism with actual poli-
cies, and Europe and other developed countries have turned more critical
towards China. In the United States and Europe, the demand for protec-
tionism is growing. In January 2020, the United States and China reached
a Phase-1 commercial agreement that brought to close their intense trade
war, but it is argued that this deal may only be a short-term solution, and
that the U.S.–China relationship increasingly will be characterized by a more permanent situation of economic competition and rivalry.

At the core of the U.S.–China rivalry is China’s rise as peer-competitor, and not only in economic terms, but as a military power. The United States is responding to this by moving military assets to Asia, and by decoupling parts of its economic ties to China. World politics is moving from an era of deep globalization to a world more characterized by a political and economic divide between the United States and China. If this scenario unfolds, it will have consequences for how connected China will be to the world economy, and the balance of state and market in its development model. During China’s trade war with the United States a number of foreign-invested enterprises moved their operations from China to Vietnam. Nonetheless, in a more long-term outlook, a political-economic divide between China and the United States will place Vietnam as well as Laos within China’s sphere of influence.

References

Ahlers, Anna L., and Yongdong Shen. 2018. Breathe Easy? Local Nuances of Authoritarian Environmentalism in China’s Battle Against Air Pollution. The China Quarterly 234: 299–319.

Amnesty International. 2018. Amnesty International Report 2017/18: The State of the World’s Human Rights. London: Amnesty International.

Anderlini, Jamil. 2017. China Sends Its Billionaires a Chilling Message. Financial Times, February 1. https://www.ft.com/content/4335d364-e7d4-11e6-893c-082c54a7f539.

Baark, Erik. 2016. The Chinese State and Its Role in Shaping China’s Innovation System. In The Asian Developmental State: Reexaminations and New Departures, ed. Yin-wah Chu, 159–173. New York: Palgrave-Macmillan.

Banik, Dan, and Arve Hansen. 2016. The Frontiers of Poverty Reduction in Emerging Asia. Forum for Development Studies 43 (1): 47–68. https://doi.org/10.1080/08039410.2015.1134646.

Batke, Jessica. 2018. Party All the Time: Governance and Society in the New Era. Winter, Issue 55, Hoover Institution: China Leadership Monitor.

Bekkevold, Jo Inge, and Øystein Tunsjo. 2018. Sustaining Growth: Energy and Natural Resources. In The Sage Handbook of Contemporary China, ed. Weiping Wu and Mark Frazier, 262–280. London: Sage.

Berman, Sheri, and Maria Snegovaya. 2019. Populism and the Decline of Social Democracy. Journal of Democracy 30 (3): 5–19.

Brodsgaard, K. E. 2018. China’s Political Order Under Xi Jinping: Concepts and Perspectives. China: An International Journal 16 (3): 1–17.
Campbell, Kurt M., and Rush Doshi. 2020. The Coronavirus Could Reshape Global Order: China Is Maneuvering for International Leadership as the United States Falters. *Foreign Affairs*, March 18. https://www.foreignaffairs.com/articles/china/2020-03-18/coronavirus-could-reshape-global-order.

Carlile, Lonny E. 1994. Party Politics and the Japanese Labor Movement: Rengo’s ‘New Political Force’. *Asian Survey* 34 (7): 606–620.

Congiu, Francesca. 2011. Taiwan: The Organized Labour Movements and Its Obstacles. *Rivista Degli Studi Orientali* 84 (1/4): 217–233.

CEIC. No date. *Vietnam Monthly Income Per Capita*. Retrieved 29 March 2020. https://www.ceicdata.com/en/vietnam/monthly-income-per-capita.

Chao, Rebecca. 2013. Why Do Chinese Billionaires Keep Ending Up in Prison? *The Atlantic*, January 29. https://www.theatlantic.com/international/archive/2013/01/why-do-chinese-billionaires-keep-ending-up-in-prison/272633/.

Chen, Theodore Hsi-en. 1969. The New Socialist Man. *Comparative Education Review* 13 (1): 88–95.

Chi, Fulin. 2003. *Alarming Bell: China, SARS Crisis and System Reform*. Transition Report 2003, China Institute for Reform and Development.

Chorzempa, Martin, Paul Triolo, and Samm Sacks. 2018. China’s Social Credit System: A Mark of Progress or a Threat to Privacy? *Policy Brief*, 18–14. Washington, DC: Peterson Institute for International Economics. https://www.piie.com/system/files/documents/pb18-14.pdf.

Creak, Simon, and Keith Barney. 2018. Conceptualising Party-State Governance and Rule in Laos. *Journal of Contemporary Asia* 48 (5): 693–716.

Cumings, Bruce. 1984. The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences. *International Organization* 38 (1): 1–40.

Dat Nguyen, T. 2019. Vietnam Billionaire Count Rises to 5 on Forbes List. https://e.vnexpress.net/news/business/companies/vietnam-billionaire-count-rises-to-5-on-forbes-list-3890145.html. 5 March 2019.

EIA. 2016. Leaked Report Reveals Huge Scale of Laos Illegal Logging. https://eia-international.org/news/leaked-report-reveals-huge-scale-of-illegal-logging-in-laos/.

Economy, Elizabeth C. 2018. *The Third Revolution: Xi Jinping and the New Chinese State*. Oxford: Oxford University Press.

Farrell, Henry, and Abraham Newman. 2020. Will the Coronavirus End Globalization as We Know It?: The Pandemic Is Exposing Market Vulnerabilities No One Knew Existed. *Foreign Affairs*, March 16. https://www.foreignaffairs.com/articles/2020-03-16/will-coronavirus-end-globalization-we-know-it.

Fawthrop, Tom. 2019. Did Vietnam Just Doom the Mekong? *The Diplomat*, November 26. https://thediplomat.com/2019/11/did-vietnam-just-doom-the-mekong/.
Fewsmith, Joseph, and Andrew J. Nathan. 2019. Authoritarian Resilience Revisited: Joseph Fewsmith with Response from Andrew J. Nathan. *Journal of Contemporary China* 28: 116, 167–179.

Forbes. 2019a. Billionaires: The Richest People in the World, March 5. https://www.forbes.com/billionaires/#3a5adf64251c.

Forbes. 2019b. Wealth of 400 Tycoons on 2019 Forbes China Rich List Rises by More Than a Fifth Despite Slowdown and Trade Friction. https://www.forbes.com/sites/forbespr/2019/11/06/wealth-of-400-tycoons-on-2019-forbes-china-rich-list-rises-by-more-than-a-fifth-despite-slowdown-and-trade-friction/#53e3b7b11e6c.

Gainsborough, Martin. 2010. Present but not Powerful: Neoliberalism, the State, and Development in Vietnam. *Globalizations* 7 (4): 475-488.

Giddens, Anthony. 2000. *The Third Way and Its Critics*. Cambridge, UK: Polity Press.

Hansen, Mette Halskov, and Zhaohui Liu. 2018. Air Pollution and Grassroots Echoes of ‘Ecological Civilization’ in Rural China. *The China Quarterly* 234: 320–339.

Hao, Feng, and Tom Baxter. 2019. China’s Coal Consumption on the Rise. *China Dialogue*, March 1. Retrieved 21 March 2020. https://www.chinadialogue.net/.

Hayashi, Shigeko. 2010. The Developmental State in the Era of Globalization: Beyond the Northeast Asian Model of Political Economy. *The Pacific Review* 23 (1): 45–69.

Kaneti, Marina. 2020. China’s Climate Diplomacy 2.0. *The Diplomat*, January 2. https://thediplomat.com/2020/01/chinas-climate-diplomacy-2-0/.

Kapur, Nick. 2018. *Japan at the Crossroads: Conflict and Compromise After Anpo*. Cambridge: Harvard University Press.

Lee, Byoung-Hoon. 2015. Changing Cross-Movement Coalitions Between Labor Unions and Civil Society Organizations in South Korea. *Development and Society* 44 (2): 199–218.

Lee, Yoonkyung. 2006. Varieties of Labor Politics in Northeast Asian Democracies: Political Institutions and Union Activism in Korea and Taiwan. *Asian Survey* 46 (5): 721–740.

Li, Guoping, and Hong Zhou. 2015. Globalization of Financial Capitalism and Its Impact on Financial Sovereignty. *World Review of Political Economy* 6 (2): 176–191.

Masina, Pietro. 2006. *Vietnam’s Development Strategies*. London and New York: Routledge.

Masina, P., and M. Cerimele. 2018. Patterns of Industrialisation and the State of Industrial Labour in Post-WTO-Accession Vietnam. *European Journal of East Asian Studies* 17 (2): 1–36.
McBride, James, and Andrew Chatzky. 2019. Is ‘Made in China 2025’ a Threat to Global Trade? CFR Backgrounder, Council on Foreign Relations, May 13. https://www.cfr.org/backgrounder/made-china-2025-threat-global-trade.

McCarthy, Michael. 2009. China Holds the World to Ransom. The Independent, December 18. Retrieved 20 March 2020 from https://www.independent.co.uk/environment/climate-change/china-holds-the-world-to-ransom-1844247.html.

McGregor, Richard. 2010. The Party: The Secret World of China’s Communist Rulers. Allen Lane: Penguin Books.

McGregor, Richard. 2019. Party Man: Xi Jinping’s Quest to Dominate China. Foreign Affairs September/October. https://www.foreignaffairs.com.

Minns, John, and Robert Tierney. 2003. The Labour Movement in Taiwan. Labour History 85: 103–128.

Mosher, Steven W. 2019. China’s New ‘Social Credit System’ Is a Dystopian Nightmare. New York Post, May 18. https://nypost.com/2019/05/18/chinas-new-social-credit-system-turns-orwells-1984-into-reality/.

Mudge, Stephanie L. 2018. Leftism Reinvented: Western Parties from Socialism to Neoliberalism. Cambridge: Harvard University Press.

Mühlhahn, Klaus. 2019. Making China Modern: From the Great Qing to Xi Jinping. Cambridge: Harvard University Press.

Nathan, Andrew J. 2003. China’s Changing of the Guard: Authoritarian Resilience. Journal of Democracy 14 (1): 6–17.

Naughton, Barry. 2018. The Chinese Economy: Adaptation and Growth. Cambridge, MA: MIT Press.

Naughton, B., and K. Tsai (eds.). 2015. State Capitalism, Institutional Adaptation, and the Chinese Miracle (Comparative Perspectives in Business History). Cambridge: Cambridge University Press.

Ngo, Christine Ngoc. 2020. Rent Seeking and Development: The Political Economy of Development in Vietnam. New York, NY: Routledge.

Pang, Edgard. 2017. ‘Same-Same But Different’: Laos and Cambodia’s Political Embrace of China. ISEAS Perspective 66, September 5.

Pei, Minxin. 2016. China’s Crony Capitalism: The Dynamics of Regime Decay. Harvard University Press.

Pimhidzai, Obert, and Linh Houng Vu. 2017. Lao Poverty Policy Brief: Why Are Ethnic Minorities Poor? World Bank Group.

ProspectsASEAN. 2018. Meet the 10 Richest People in Southeast Asia (by Country), September 8. https://www.prospectsasean.com/meet-10-richest-people-southeast-asia-by-country/.

Radice, Hugo. 2008. The Developmental State Under Global Neoliberalism. Third World Quarterly 29 (6): 1153–1174.
RFA—Radio Free Asia. 2016. Laos and Its Dams: Southeast Asia’s Battery, Built by China. https://www.rfa.org/english/news/special/china-build-laos-dams/.

Rovny, Jan. 2018. What Happened to Europe’s Left? Blog. London School of Economics and Political Science, February 20. https://blogs.lse.ac.uk/europpblog/2018/02/20/what-happened-to-europes-left/.

Sachsenröder, Wolfgang, and Ulrike E. Frings (eds.). 1998. Political Party Systems and Democratic Development in East and Southeast Asia: East Asia, vol. 2. Aldershot: Ashgate.

Saposs, David J. 1954. The Split Between Asian and Western Socialism. Foreign Affairs 32 (4): 588–594.

Shambaugh, David. 2008. China’s Communist Party: Atrophy and Adaptation. Berkeley: University of California Press.

Shirk, Susan L. 2018. China in Xi’s ‘New Era’: The Return to Personalistic Rule. Journal of Democracy 29 (2): 22–36.

So, Alvin Y., 2003. The Changing Pattern of Classes and Class Conflict in China, Journal of Contemporary Asia 33 (3): 363–376. https://doi.org/10.1080/00472330380000231.

Songvilay, Latdavanh, Sthabandith Insisienmay, and Mark Turner. 2017. Trial and Error in State-Owned Enterprise Reform in Laos. Asian Perspective 42: 239–262.

Stubbs, Richard. 2009. What Ever Happened to the East Asian Developmental State? The Unfolding Debate. The Pacific Review 22 (1): 1–22.

Tian, He. 2020. Transforming the East Asian Developmental State: Democratic Mobilisation and the Role of the Middle Class. Asian Journal of Comparative Politics 18: 1–18.

Turiel, J., I. Ding, and J. Liu. 2017. Environmental Governance in China. Leiden: Brill.

Vu, Tuong. 2010. Paths to Development in Asia. South Korea, Vietnam, China, and Indonesia. Cambridge: Cambridge University Press.

Wei, Lingling. 2019. Beijing Drops Contentious ‘Made in China 2025’ Slogan, But Policy Remains. The Wall Street Journal, March 5. https://www.wsj.com/articles/china-drops-a-policy-the-u-s-dislikes-at-least-in-name-11551795370.

Wong, Joseph. 2004. The Adaptive Developmental State in East Asia. Journal of East Asian Studies 4 (3): 345–362.

World Bank. 2002. Vietnam Development Report 2003: Vietnam Delivering on its Promise. Hanoi: World Bank.

World Bank. 2014. Poverty Profile in Lao PDR: Poverty Report for the Lao Consumption and Expenditure Survey 2002–2013. Vientiane: World Bank.