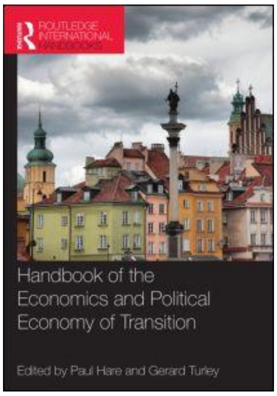

Handbook of the Economics and Political Economy of Transition

Paul Hare, Gerard Turley

Communist Asia

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Steven Rosefielde
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36
COMMUNIST ASIA

Steven Rosefielde

Introduction

The Soviet Union, its satellites and communist Asia toyed with markets on and off, beginning as early as 1921 (Lenin's New Economic Policy). Some communist party members worried from the outset that free enterprise and communism were mutually exclusive, contending that the criminalization of private property, business and entrepreneurship were imperative to forestall the restoration of capitalism. Others, like Nikolai Bukharin, Josef Tito and Deng Xiaoping, counter-argued that markets and party control were compatible and best.[1]

The dispute was put to the test in the 1990s when the Soviet Union and its satellites overturned communism, with the stated intention of bringing about a transition to EU-type social democracy or American-style democratic free enterprise, while China, Vietnam, Cambodia and Laos set out to reform the command paradigm founded on state ownership of the means of production by building market communism. This chapter surveys the Asian communist party-controlled market experience over the period 1993–2011.

The decision to experiment with markets and other aspects of liberalization is often treated as the dawn of Asia's market communist epoch. The year 1993, however, provides a better benchmark, marking as it does the end of the command period and the beginning of a predominantly market-communist era. The tipping point was Deng Xiaoping's Southern Tour of Guangzhou, Shenzhen and Shanghai, where this *eminence grise* somehow successfully persuaded the party leadership that although their crackdown on the Tiananmen Square dissidents may have been appropriate, repression in the political sphere did not necessitate command planning of the economy. Deng urged them to proceed full-steam ahead with leasing-based marketization as the best strategy for catching up with, and perhaps overtaking, the West.

Beijing's decision to ride the market tiger, doubtlessly influenced by the Soviet Union's collapse in 1991, was quickly emulated throughout communist Indochina.[2] It was done while keeping dual options in mind. Asian communists could try to socialize markets for the advantage of their people's democratic republics, while keeping open the possibility of switching sides at the end of the day if capitalism on balance seemed best.

China

Deng and his supporters, like their command economy predecessors, did not have an elaborate blueprint for building market communism. Deng was a pragmatist, unperturbed by contradictions, who advised crossing rivers by feeling for the stones. There was no design for utopia. None the less, the inner logic of Chinese and Indochinese communist marketization is easily discerned as a strategy based on borrowing heavily from Western market institutions (*Gaige Kaifang* – reforms and openness), subject only to a few critical constraints.

First and foremost among these constraints was a policy of zero tolerance towards any challenges to communist party supremacy. There could be intra-party elections, with some non-party participation in selected activities, but regime change via the ballot was proscribed. Likewise, party edicts could not be overridden by independent judiciaries on constitutional or legislative grounds. There could be no rights that trumped the party, ensuring that people's democratic republics were governed by the rule of men, not the rule of law. Communist markets, accordingly, are founded on insecure property rights. Managers/owners are required to bear the risk that the communist party might choose to take control over their businesses without compensation, in addition to the more familiar market, counterparty and eminent domain hazards. The ideological prohibition on freehold ownership distorts entrepreneurship further.

Second, the communist party insisted on monopolizing state programming and management, with the exclusive right of determining taxation, public spending, monetary policy, state business and financial regulation, market access and foreign exchange rates. Unlike the West, communist party economic governance is intrinsically anti-competitive.

Third, the prohibition of freehold property, and the state's leasing powers, allowed the party to retain proprietary control over the economy's 'commanding heights', and to allocate lucrative leases preferentially, typically to party insiders and their families. This has led to the emergence of two *de facto* classes of property: 'state ownership' (including leasing) in the commanding heights, associated with state-owned enterprises (SOEs), and 'private leasing ownership' in the periphery. Both forms permit insiders to convert revenues informally into personal and private holdings of foreign assets, in violation of communist principles. Consumers are precluded from being sovereign in the public goods arena, and in the market too, because the party has the power to regulate commerce on its own behalf.

Fourth, the party placed itself in a position to create insider rents merely by granting contracts, subsidies and anti-competitive privileges to favoured leaseholders. This created a two-tier communist market: one that was competitive, where firms were too small to be noticed, or pickings too slim; and the other that was much more exclusive, where insider party interests determined market entry.

Fifth, the party reserved the right to police moral hazard. The leadership, on its own volition, could adopt stern measures to facilitate intra-party economic competition, repress regional and municipal economic fiefdoms, deter embezzlement, prevent insider capital flight abroad, and restrain income and wealth inequalities. These powers not only allow leaders to control corruption, but also to regulate the (remaining) communist content of Beijing's market system.

Sixth, domestic insider market rigging also applies to foreign trade. The party reserves the right to act as a discriminating protectionist by erecting import barriers and export subsidies (including, arguably, an undervalued renminbi, RMB) in violation of its World Trade Organization (WTO) obligations. These practices may be designed to beggar neighbours, or to amass colossal dollar reserves for diverse anti-competitive purposes, but regardless of their underlying motivation, they clearly infringe free competition.

Beyond these requirements, the sky is the limit in replicating Western market institutions and techniques. China has chosen, for instance, gradually to expand leaseholders' discretionary authority over asset use and the conduct of for-profit business, setting the example for its Indo-chinese imitators.

Deng's appointed successor, Zhu Rongji, devised a programme to transform red directors into managers of market competitive SOEs, and then ultimately into managers of leased private companies by expanding and codifying their powers in 'The Regulations on Transforming the Management Mechanism of State-Owned Industrial Enterprises', issued in July 1992. The document granted managers 14 specific control rights over: (1) production; (2) pricing; (3) sales; (4) procurement; (5) foreign trade; (6) investment; (7) use of retained funds; (8) disposal of assets; (9) merger and acquisitions; (10) labour; (11) personnel management; (12) wages; (13) bonuses; and (14) their internal organization. Managers were also given the power to refuse to pay unauthorized charges levied by the government at various levels.

These rules mimicked the rights of Western firms, but had less force because managers were not adequately protected by the rule of law (independent judiciary). The communist party, at its discretion, could violate its own administrative directives. Still, the new rules meant that under favourable circumstances firms could more efficiently supply other government entities and private consumers. The potential gains were obvious, but so too were the limitations. The command principle might still supersede the market. Managers might prefer to remain inert, accepting subsidies instead of competitively profit seeking, and Deng's reforms might be subverted by moral hazard. Instead of acting scrupulously on the state's behalf, red directors might detrimentally employ diverse means – fair and foul – to privatize usufruct and assets to themselves. Moreover, this situation can even result in a form of adverse selection, by providing incentives and the opportunity for 'bad' managers to take advantage. Thus, agents, who are supposed to serve the state, can serve themselves at the people's expense.

Zhu Rongji, Jiang Zemin and Hu Jintao, following in Deng's footsteps, however, were undaunted. They solved the moral hazard problem by capitulating to it, allowing red directors and others including the *taizidang* (sons and daughters of high party officials, often derogatorily called princelings) to lease state assets, close unsuccessful state enterprises and become billionaires while upholding Marxist communist principle by retaining the criminalization of freehold property. This 'solution' has produced a distinctive structure of asset control and ownership. China's major financial holding companies in the public sector (finance, transport and trade) are state, provincial and municipally owned/controlled, with substantial minority equity stakes held abroad and traded on the Hong Kong Stock Exchange. They are known as Red Chips (CITIC, COSCO, China Resources, Beijing Enterprises, etc.). There were 159 active SOEs of this type at the end of 2006, declining to about 100 by 2010; these companies can be considered China's commanding heights.

They coexist with other state companies controlled by the central government, operating in protected sectors, including defence, and more autonomous state and collective entities in competitive fields. Most sell equity shares, and therefore can be misleadingly classified as privately owned in a liberal freehold sense, even though they are under the state's thumb. The government also has substantial influence over the operations of foreign multinational companies participating in the Chinese market as joint ventures, including Alcatel-Lucent, Motorola and Volkswagen. Its sway, however, is less for small state and collective entities controlled by local governments and private groups in the competitive sectors, increasingly acting like conglomerates; and small private and family collective commercial firms in the urban and rural service sectors.

These developments have been accompanied by parallel stock market and banking reforms, allowing SOEs to increase equity (shares) sales to outsiders, and tighten credit discipline. They also have facilitated market-driven reshuffles of corporate structure through mergers and acquisitions (M&A), neither initiated nor controlled by the state.

The greater good in this permissive communist variant no longer depends on protecting the people's assets from private arrogation, preventing the diversion of government usufruct, and insider rent granting ('selling' privileged leasing rights to autonomous profit-seeking agents in return for service, taxes and support). Deng, echoing Soviet Politburo member Nikolai Bukharin in the 1920s, exhorted communists to enrich themselves in return for adding value. The game is not restricted to party insiders and the *taizidang*, although they are better positioned to acquire lucrative assets than ordinary lessees.

Everyone can compete in the cause of rapid development and modernization, until one fine fairy-tale day when the leadership decides to re-prioritize social justice over profit, terminating privileged leaseholds, imposing confiscatory inheritance taxes, and otherwise levelling income and wealth. Hu Jintao has dubbed the latest version of this dream, the harmonious society. He envisages subordinating development to a democratic order under the rule of law, featuring equality and justice, with an honest and caring government that assures rapid growth and social stability. Deng Xiaoping's pragmatism, as he always claimed, has led China away from Mao's terror-command to a more prosperous state-orchestrated, insider-privileged self-seeking economic order, searching for communist harmony. There can be no doubt that Hu Jintao's contemporary system permits citizens to pursue their livelihoods and fortunes through diverse means, including material incentive schemes, entrepreneurship, business, private investment, foreign trade, and negotiated wage, product and asset prices.

Leasing property, business, entrepreneurship, credit and finance have been decriminalized, and there is a semblance, if not the substance, of the rule of law. This seems to imply that Deng also has successfully marketized China's economy, and set the nation on a path-dependent course towards democracy, civic empowerment, the rule of law and a workable form of Marxist market communism under Xi Jinping, Hu's designated successor. China, in short, seems to have devised a Communist Party managed, self-regulating, normal, market regime that explains recent accomplishments and vouchsafes the future.

However, appearances are deceptive. The last two decades have witnessed the creation of production and supply that responds to consumer demands in a negotiated way in a multitude of Chinese sectors. These are genuine market exchanges. None the less, they differ fundamentally from the textbook neoclassical markets. Hu's markets are rent-granting, rent-seeking and rent-controlling (creation of fictitious values by overpaying insiders and agents who become recipients of unearned incomes) mechanisms serving the communist party and other privileged individuals, rather than competitively maximizing consumer utility.

Before 1989 Deng's markets advanced the communist cause first, and leaders' personal enrichment second, while restricting the scope of market participation. Hu's markets reverse this polarity, subordinating CPC statesmanship to the enrichment of party members, bureaucrats and allies who diversely exploit unprotected labourers, including 150 million migrant workers. Both paradigms support communist power, but for a different mix of purposes. Deng's markets were the handmaidens of egalitarian command; Hu's are the cornerstone of post-command, prosperity enhancing, but nevertheless inegalitarian, rent-seeking.

Extraction and apportionment systems are extreme forms of monopoly and oligopoly, where insiders acquire unearned income by denying market access to would-be competitors, manipulating supply and, in many instances, purchasers' demand. Textbook monopolists and oligopolists are restricted to maximizing marginal revenue by limiting supply, but Chinese rent-creators and rent-gougers can divert income and wealth for themselves through multiple channels to society's detriment. The behaviour is intrinsically corrupt from a neoclassical perspective, because insiders are paid more than the values of their marginal products, and rent-granting encourages other pernicious and productivity inhibiting attitudes. Rent-recipients often become lax and profligate, overpaying some factors, acquiring wrong input mixes and technologies, and squandering company assets. Like the Soviet Union, such regimes may outwardly appear successful, judged by various yardsticks, but nonetheless are degenerate.

Hu Jintao's China suffers from all these afflictions, but still has improved social welfare by keeping the worst aspects of rent-seeking at bay through a pragmatic admixture of material incentives, market competition and bureaucratic discipline. He and his post-Mao predecessors provided productive inducements to anyone willing to increase taxable or rent-appropriable income. All behavioural and institutional forms (household responsibility system, township and village enterprises (TVEs), special economic zones (SEZs), joint ventures before 1993, outsourcing, Red Chips, gambling, etc.) have become permissible (except freehold ownership), if they empower the Communist Party, the state and the privileged. In the same spirit, they have welcomed foreign direct investors, benefiting directly from Western technology transfer and the diffusion of foreign technology. Recently, Beijing has begun aggressively purchasing minerals and companies abroad with an eye to creating and capturing overseas rents. Moreover, the leadership has continuously pressured rent-recipients to run their operations as efficiently as rent-granting allows. Subsidies to state enterprises have been reduced, and many SOEs have been forcibly merged or disbanded. Market protections, including tariffs, and quotas (in accordance with China's entry into the WTO in 2001) have been lowered, although not enough, and firms with privileged charters have had to demonstrate some accomplishments to fend off rival insiders. Even the bureaucracy has been compelled to interest itself in various constructive activities, rather than perpetually seeking bribes.

The leadership has also been willing to share rents stemming from wage repression with foreign households (and relatedly, foreign businesses) by undervaluing the RMB in the international currency market. The state, in its capacity as opportunistic rent-seeker, could have tried to obtain imports for current consumption as cheaply as possible at the expense of reduced direct foreign investment by overvaluing the RMB, but the leadership instead gave priority to hot-housing national development.

These achievements may gradually be augmented until China completes its transition to an authentic, workably competitive, neoclassical market system, with democracy and civic empowerment; however, none of these outcomes seems probable any time soon.

Looked at from this perspective, China is a relatively efficient rent-granting regime that has avoided becoming completely dysfunctional by modernizing and improving economic efficiency on multiple fronts, including market competition. It has been predatory, and likely will remain so, but has ample room for further modernization and development.

Indochinese market communist latecomers

Contemporary Indo-chinese market communism is rent-seeking like its northern mentor, but the historical and institutional particulars differ. Although, Vietnam, Cambodia and Laos followed the dominant 20th-century communist sequence, passing through the terror-command and terror-free command phases before arriving at rent-granting/markets,[3] their communist parties did not consolidate their power within present boundaries until the Vietnamese War ended with the Fall of Saigon on 30 April 1975. Southeast Asian communism is younger than China's, and in the Laotian and Cambodian cases has shallower roots.

Vietnam

Vietnam's version of market communism called *Doi Moi* (renewal) began at the 6th Communist Party Congress in 1986 with the introduction of agricultural contracting in peasant co-operatives and the privatization of some commerce, although the material incentives and the family responsibility system had been tried briefly in 1960–62. It superseded the *Bao Cap* subsidy system (1975–86), which was gradually terminated by reducing food subsidies, and introducing cash salaries indexed to the cost of living.

Soon thereafter foreign investment, including joint ventures and outsourcing, was encouraged by the Foreign Direct Investment Law, 9 December 1987; inefficient agrarian co-operatives began being abolished by the Land Law of 1993, and farmers were given title to their plots, together with tilling rights. A Civil Code was established to define and protect these and other private property rights. Results were slight at first because the West boycotted Vietnam as long as its troops occupied Cambodia, but after 1989 the economy made notable headway.

The official objective of these reforms, replicating Deng Xiaoping's pragmatic experiment eight years earlier, was the creation of a socialist oriented market economy, with a strong state industrial presence including banking, and aspects of foreign trade (exports constituted 68 per cent of GDP in 2007), combined with agrarian cooperatives and private enterprise in the light manufacturing and service sectors.

The market dimension of Vietnam's *Doi Moi* socialism includes various material incentive schemes, the decriminalization of some negotiated transactions, the reduction of state price and wage fixing (regulation), and with it a lessened role for SOEs and central planning. The planning process has been decentralized with a concomitant increase in provincial and local economic power. The state owns all the non-tillable land, including resources, with private business being conducted mostly on a leasing basis. A stock exchange was established in July 2000 to expedite the partial privatization of SOEs, but foreigners are precluded from owning more than 49 per cent of any enterprise, and cannot purchase freehold land, including residential and commercial real estate. In 2005 banks were added to the list of *equitizable* SOEs (majority state owned firms with minority private equity stakes).

Vietnam joined the WTO in 2007, triggering an effort to protect intellectual property rights, but the initiative has been ineffectual. Overall, Vietnam has prospered by marketizing, liberalizing, globalizing (including the receipt of billions of dollars in remittances, transferred by post-Vietnam War refugees who settled in the West), and is viewed by many as being on a Chinese-style high road to workably competitive, neoclassical free enterprise.

However, this characterization is misleading to the extent that it assumes communism no longer matters, or that the Communist Party of Vietnam's (CPV) power will quickly evaporate. The Soviet Union's demise lends some credence to such conjectures, but not enough to carry the day. Vietnam's *Doi Moi* strategy has been a pragmatic exercise in devising a better mouse-trap; not a ploy for gradually relinquishing communist rule, or wholly abandoning its revolutionary agenda. The leadership from the outset has sought to kill several birds with one stone, including the retention of CPV power, the enhancement of Vietnam's wealth and influence, insider enrichment, modernization, development and improved living standards, with foreknowledge that these benefits could not be secured without ideological concessions. It understood, and agreed to accept the fact that material incentives, partial privatization, leasing and the decriminalization of private business and entrepreneurship would dilute insider rents, diminish communist legitimacy, reduce the CPV's span of control, increase pressure for civic empowerment and democracy, and raise the spectre of extreme inegalitarianism and social strife, placing CPV sovereignty at risk.

Central Committee members could not ascertain beforehand whether the rewards would exceed the risks, but opted to learn by doing. Their objective was certainly not to achieve neoclassical, democratic free enterprise with civic empowerment. They sought, and are still seeking to discover, an optimal mix that preserves CPV power, and the leadership's private ambitions, while securing as many communist ideological goals as possible. Egalitarianism, individual liberty and human empowerment are not high priorities, but the CPV does not spurn general prosperity and social harmony.

Their policies thus have boiled down to a masters first masses second strategy, with rising incomes and a social safety net. They have created a one-sided social contract that allows ordinary citizens to reap some of the fruits of their labour, sugar coated with revolutionary nostalgia, at the expense of egalitarianism, social justice, humanitarianism, civil liberties and political rights. For those who assign great weight to official GDP growth statistics, and domestic winners these 'birth pangs' seem a fair bargain, and no doubt will be broadly judged so by history, if blemishes fade with further communist development.

Vietnamese welfare will improve substantially if the country extends liberalization, unshackles agriculture, legalizes more aspects of private activity, reforms SOEs, embraces globalization (promoting FDI and exports) and restructures the financial sector. Corruption, too, may subside and rent recipients become more socially conscious. However, communist moral hazard and rent-granting could also endure, ensuring inequality (Gini coefficient estimates rose from 0.35 in 1990 to 0.43 in 2006),[4] unemployment, hardship, social injustice, authoritarianism and civic repression. Vietnamese average living standards are likely to improve for decades, given the country's relative economic backwardness and wage repression; none the less, both material and societal progress will be impeded if rent-granting, rent-seeking and rent-controlling are not constrained. Not only will Vietnam's Gini coefficient remain stubbornly high judged from the global norm, but the inequality will be largely attributable to insider power, rather than to competitively justified differences in marginal value-added.

This behaviour replicates contemporary China's in all essentials. Market communist regimes, it seems, are fundamentally alike. However, there are some significant differences. Both GDP and inequality have grown more slowly in Vietnam than in China (if one believes the statistics), and the CPV has permitted a freer flow of imports. This has led some to claim that governing coalitions are more diverse in Vietnam, that they constrain authoritarianism, are intrinsically more competitive and therefore superior to Beijing's brand of market communism. Others stress the weakening legitimacy of the current regime, contending that the CPV is effectively dead as a source of ideals or morality, prodding the Vietnamese to rediscover their Buddhist heritage. On the first view, Vietnam's brand of rent-granting/market communism has a better chance than China's of surviving, while on the second, this may not be good enough to prevent Vietnam's economic system from morphing in new cultural directions.

Laos and Cambodia

Market-oriented reform started in Laos and Cambodia at the same time that *Doi Moi* was officially promulgated in Hanoi, but with less substance. Laos's experience with command communism was brief (the Pathet Lao came to power under Vietnamese tutelage in the mid-seventies), and the Vietnamese-occupied Khmer Rouge ravaged Cambodia for 15 years. Both criminalized private property, business and entrepreneurship, created SOEs, and central planning before 1986. Then, under their versions of *Doi Moi*, called the *New Economic Mechanism* (in Laos), gradually introduced material incentives and rudimentary markets in agriculture and commerce, followed by the legalization of some forms of private property (including direct foreign investment, outsourcing and joint ventures), and institutions to enforce property rights. Managerial and financial autonomy were encouraged in SOEs, and prices liberalized.

It is claimed that this liberalization spurred rapid growth and development, but the results are invisible to the naked eye. Neither Laos nor Cambodia displays entrepreneurial vitality (Phnom Penh was still a virtual tourist ghost town in 2009), and direct foreign investment is limited because Laos is landlocked, and Cambodia's ports are in disrepair. In principle, Cambodia's electoral democracy should have some discernible effect on the performance of its rent-granting market communist–socialist system, and Laos eventually may display some novel aspects, but for the present all that can prudently be inferred is that the rent-granting, rent-seeking and rent-controlling could be milder and more haphazard in Cambodia and Laos than in Vietnam and China, and that each Asian market communist system may evolve separately in its own special way.

Asian market communist performance in (long-term) historical perspective

Living standards in Asia (China and Japan) and the West were similar until the start of the commercial revolution in 16th-century Europe (Figure 36.1), when per capita income began steadily improving in the West, while Asia stagnated. This divergence persisted for five hundred

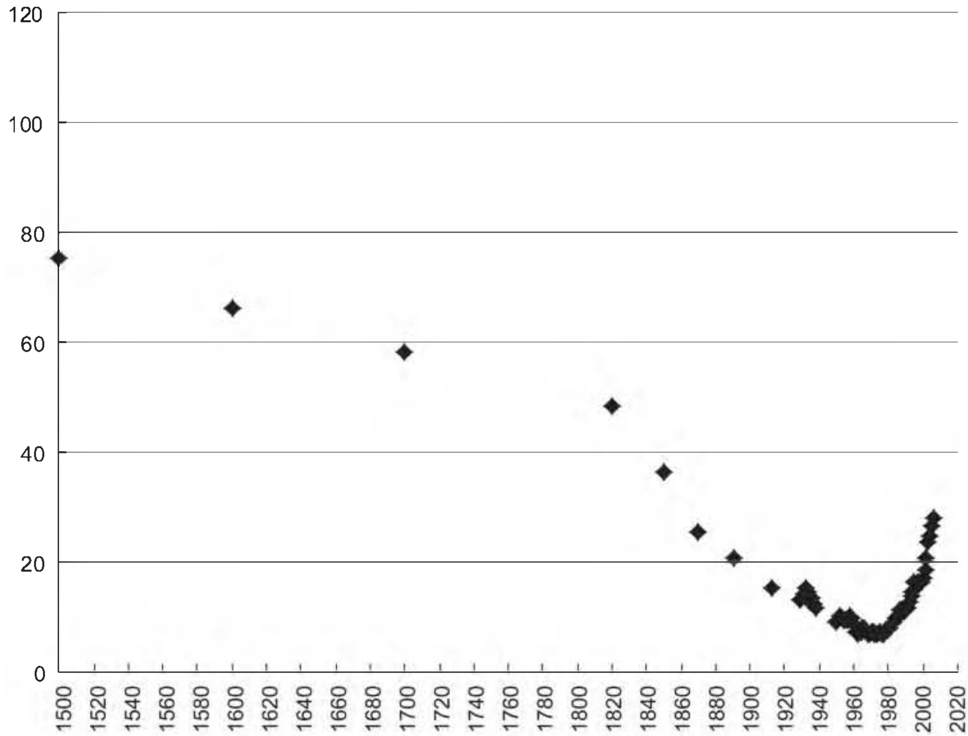

Figure 36.1 Chinese–EU Divergence and Convergence 1500–2006 per capita GDP (Western Europe = 100)
Source: Angus Maddison, *The World Economy: Historical Statistics*, OECD, Paris, 2003. http://www.ggdc.net/maddison/Historical_Statistics/horizontal-file_03-2009xls
Note: Western Europe includes Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

years, creating an immense living standard gap. Per capita GDP in communist China, Vietnam, Cambodia and Laos fell to less than 20 per cent of the west European level by 1990. Its relative economic backwardness was even greater, judged from the American norm, making communist Asia ripe for rapid catch up after 1990, propelled by deepening market reforms.

OECD data compiled by Angus Maddison (Table 36.1) indicate that market communist Asia seized the day, especially during the first decade of the new millennium compared with the pre-Tiananmen Square benchmark. Per capita growth markedly accelerated, approaching double-digit magnitudes in China and Cambodia, and mid-single-digit rates in Vietnam and Laos, despite the 2008 global financial crisis. Although these claims may be exaggerated, evidence from multiple sources like Western import statistics nonetheless confirms that living standards rose significantly faster than the EU norm, enabling market communist China and Vietnam to close some of the per capita income gap with the West (Figures 36.1 and 36.2). Cambodia is supposed to have done nearly as well as China, but direct on-site observation does not corroborate what appear to be freely invented statistics.

Still, fuzzy data notwithstanding, communist market reform seems to have unleashed previously repressed economic potential even in Cambodia, despite strong communist party domination of public programmes, ownership, competition and foreign trade. Market communist Asia is dramatically out-performing command communist North Korea, and its own past benchmarks (Table 36.2). Although it might not out-perform democratic free enterprise in the very long run, Asian market-oriented communism is likely to continue recovering lost ground over the next few years, perhaps even decades, not least because much of these economies remains well behind the world technology frontier. Hence there is a great deal of catching up to be done.

Table 36.1 Asian Communist per capita GDP Growth 1985–2009

	1985–90	*1990–95*	*1995–2001*	*2000–09*
China	4.1	7.4	5.1	9.8
Vietnam	2.2	6.2	4.8	6.0
Cambodia	-2.0	1.8	2.4	9.2
Laos	0.2	3.0	1.8	4.0
North Korea	0.0	-11.8	-4.5	-1.2

Source: http://www.ggdc.net/maddison/Historical_Statistics/horizontal-file_03-2009xls
Statistics on World Population, GDP and per capita GDP 1-2006AD (last update: March 2009, horizontal file; copyright Angus Maddison).

Table 36.2 Communist GDP growth, command era 1929–2000 (GDP growth, per cent)

Years	*USSR*	*North Korea*	*China*	*Cambodia*	*Vietnam*	*Laos*
1929–1937	6.2					
1951–2000		3.0				
1953–1957			4.9			
1957–1962			-2.0			
1967–1976			3.7			
1975–1979				2.3		
1975–1985					4.0	3.0

Source: Angus Maddison, *The World Economy: Historical Statistics*, OECD: Geneva, 2003, Table 3.b, p.98, and Table 5.b, pp.174, 178.

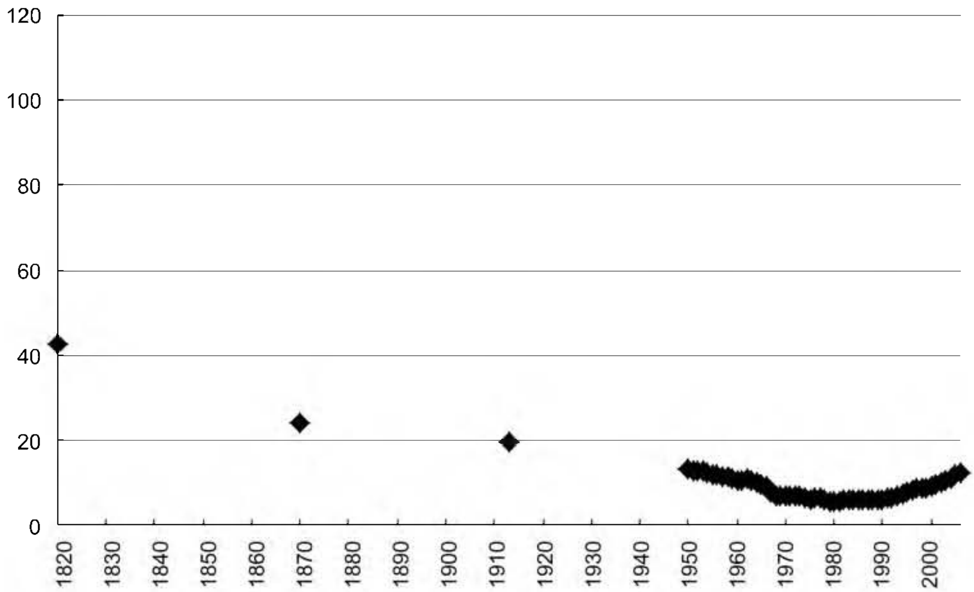

Figure 36.2 Vietnam–EU Divergence and Convergence 1820–2006 per capita GDP (Western Europe = 100). Source: Angus Maddison, *The World Economy: Historical Statistics*, OECD, Paris, 2003. http://www.ggdc.net/maddison/Historical_Statistics/horizontal-file_03-2009xls. Western Europe includes Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

Notes

1 Steven Rosefielde, *Russian Economics From Lenin to Putin*, New York: Wiley, 2007; Rosefielde, *Red Holocaust*, New York: Routledge, 2010.
2 Deng could have blamed the Soviet Union collapse on Gorbachev's *perestroika*, but he rightly concluded that Gorbachev's ineptness, not the market was at fault.
3 Rosefielde, *Red Holocaust*.
4 http://www.euromonitor.com/vietnams_income_distribution Cf. Regina Abrami, Edmund Malesky and Yu Zheng, 'Accountability and Inequality in Single Party Regimes: A Comparative Analysis of Vietnam and China,' unpublished pdf, 5/16/08. China's Gini coefficient was 0.47 in 2004. See World Bank, *World Development Indicators*, Washington, DC: World Bank, 2007.

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