Political Accountability, State Capacity, and Authoritarian Resilience in Vietnam and China

By

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Contents

Abstract

This research explains why Vietnam and China have different configurations of state capacity and how these differences affect their resilience and prospect of political change. The main argument is that there is a strong, dynamic relationship between political accountability and state capacity which shapes distinctive paths of regime development in the two countries. As a high-accountability regime, Vietnam has an expansive governance capacity which emphasises universally redistributive social policies, a tax-based extractive capacity, and a fragmented control capacity. By contrast, China's low-accountability regime builds on a unique model of a quasi-tax, quasi-domain, and quasi-rent extraction, a cohesive governance capacity which prioritises efficiency, and a high level of control capacity. Having helped both regimes thrive through the past four decades, the two models nevertheless expose them to different sets of problems. While Vietnam is more susceptible to exogenous changes, China is more vulnerable to endogenous ruptures and decay.

The thesis adopts a mixed research approach which combines historical institutionalism in examining large processes of macro-level variables and the rational-choice analysis in studying the immediate-strategic context with key actors' interactions, choices, and payoff perceptions. A nested game framework is used to explain how political accountability has developed and diverged in the two seemingly similar regimes in Chapter 2. It argues that events in the critical juncture of the late 1980s, particularly the Tiananmen Incident, drastically changed the Chinese leadership's payoff perceptions of the political equilibrium and accordingly kept the regime firmly in the low-accountability track. Without a similar rupture, a system of collective leadership has been developed and preserved in Vietnam, which steered the regime towards a high-accountability path. The impacts of the divergence in political accountability on the developments of extractive, governance, and control capacities are then explored. Chapter 3 explains why Vietnam has been moving towards a tax state, whilst China remains a unique model of a quasi-tax, quasi-rent, and quasi-domain state. Chapter 4 traces the two regimes' policy preferences to account for the difference between Vietnam's egalitarian approach of governance and China's "efficiency first" strategy. The contrasting fortunes of Ho Chi Minh City and Shanghai, the two countries' economic centres, are presented for illustration. Chapter 5 discusses the diverging control capacities, arguing that China's personalised regime requires a higher level of legitimation and repression. Chapter 6 speculates about how differences in state capacity affect the resilience of the two regimes and their prospects of political change.

The thesis makes use of a wide range of both primary and secondary data. An original biographical database of 626 members of the Vietnamese Communist Party's Central Committee members from 1986 to 2016 and the Vietnam's Provincial Security Dataset from 2011 to 2018 have been constructed. Qualitative evidence is drawn from the two regimes' internal documents, particularly various volumes from the *Selections of Important Documents of the Communist Party of China* and the *Compilations of the Vietnamese Communist Party Documents*.

The thesis provides much needed insight into the relationship between political accountability and state capacity in one-party regimes, offers a novel explanation of the different resilience strategies of Vietnamese and Chinese communist rulers, and contributes to the scholarship on critical junctures and political change.

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Publications and datasets constructed during the candidature

Publications included in this thesis

I confirm that the following publications have been given permission to be included in this thesis by the publishers:

The Great Divergence: Political Accountability and Extractive Capacity in Vietnam and China in the Reform Era. *New Zealand Journal of Asian Studies*. Vol. 24/1 (June 2022): 41-64. Incorporated in modified form into chapter 3; work done in pursuit of PhD.

Why Accountability Differs in Vietnam and China? in Tuong Vu and Nhu Truong (eds). *The Dragon's Underbelly: Dynamics and Dilemmas in Vietnam's Economy and Politics*. Singapore: Institute for Southeast Asian Studies (2023, forthcoming). Incorporated in modified form into chapter 2; work done in pursuit of PhD.

Other journal articles and book chapters

Nguyen K.G. & Thai Q. Nguyen (2022). From Periphery to Centre: The Self-evolution of the Vietnamese Communist Party's Central Committee. *Contemporary Southeast Asia*. Vol. 44/1 (April 2022): 56-86. A small part of this article is incorporated into the section *Internal accountability* of Chapter 4 (pp. 108-114).

Nguyen KG & Thai Q. Nguyen (2021) Civil society and extractive capacity in authoritarian regimes: empirical evidence from Vietnam, *Asian Journal of Political Science*, Vol. 29/1: 110-130.

Nguyen, T.Q., **Nguyen, KG**. (2020) The impacts of civil society and inequality on the extractive capacity of authoritarian regimes: a conceptual model and the case study of Vietnam. *Constitutional Political Economy*. Vol. 31, p. 489–508.

Nguyen K.G. (2020). Succession politics and authoritarian resilience in Vietnam. in *Southeast Asian Affairs 2020*, ISEAS–Yusof Ishak Institute, Singapore. A small part of this article is incorporated into the section *Game 2: the internal game between the ruler and the selectorate* of Chapter 2 (pp.53-54).

Nguyen, D.T.; Pham, V.L.; **Nguyen, K.G** (2020). Governance for Urban Services in Vietnam. In Cheerma, S. (ed), *Governance for Urban Services: Access, Participation, Transparency, Accountability*, Springer, Singapore.

Conference papers

"The Communist Divergence: Political Accountability and Extractive Capacity in Vietnam and China", paper presented at the 24th NZASIA Biennial International Conference 2021 (Massey University, New Zealand, November 24-27, 2021).

"Why accountability differs? A nested game explanation". Paper presented at the Southeast Asia Research Initiative (SEARI) workshop (University of Canterbury, New Zealand, November 27, 2020)

"Succession politics and authoritarian resilience in Vietnam". Paper presented at the 2019 New Zealand Political Studies Association Annual Conference (University of Canterbury, New Zealand, November 27-29, 2019).

Datasets

The Vietnamese Communist Party's Central Committee Membership Dataset, manually collected and coded from various publicly available sources, covers the biographies of 626 CC members from the 6th to the 12th Congress. The dataset was published with the article "From Periphery to Centre: The Self-evolution of the Vietnamese Communist Party's Central Committee" on *Contemporary Southeast Asia Vol. 44/1 (April 2022)*, available on request.

The Vietnam's Provincial Security Dataset records provincial-level security spending (military and police) from 2011 to 2018. The data are hand collected and digitalized from provincial statistical yearbooks of Vietnam's 63 provinces from 2010 to 2018. The dataset is available on request.

List of Figures

List of Tables

Chapter 1 - The Puzzles and Arguments

Maintaining a regime – whether democratic or authoritarian – requires good financial backing, a well-governed administrative system, a strong legitimation strategy, and effective coercive forces. This is translated into the regime's extractive capacity, governance capacity, and control capacity.

Previous studies on state capacity and regime stability, such as Andersen, Moller, Rorbaek, and Skaaning (2014), have focused on the division between democratic and authoritarian regimes, suggesting that while the former depend on administrative effectiveness, the latter turn to coercive power for stability. This division is generally useful in cross-regime type comparisons; however, it becomes less so when making comparisons across authoritarian regimes. All autocracies[1] need coercion to survive, but in different ways. The highly repressive and militarized regime of North Korea is distinctively different from China and Vietnam, where rulers tend to mix coercion with administrative effectiveness to maintain resilience.

Why do autocrats have different configurations of state capacity? For example, why do some lean on control capacity while the others prioritise administrative effectiveness? How does the configuration of state capacity affect their prospects of resilience and political change?

This research aims to shed light on those questions by focusing on China and Vietnam, the two high-performing autocracies with many similarities but different in the development of political accountability during the reform era. This accounts for the different configurations of state capacity in the two countries. My main argument is that there is a strong, dynamic relationship between political accountability and state capacity: in the regimes where political accountability is high, resources are prioritised to address popular demand (governance capacity) while control capacity is more preferred in low-accountability regimes. Relatedly, the room for extractive capacity is larger in the former thanks to the principle of "no taxation without representation". The latter tends to depend on non-tax revenues for fiscal necessity.

By focusing on the two "within-typology" regimes, the research follows Svolik (2012) in analysing specific authoritarian dimensions, instead of depending on their "ideal types". This is because whilst building comparisons around ideal types is convenient for comparative and generalisation purposes, it limits our ability to understand substantial variations across autocracies (Malesky, Abrami, & Zheng, 2011). Dominant classification strategies such as Geddes (1999) or Gandhi (2008) which construct "ideal types" of autocracies provide "neither

[1] Authoritarian regimes and autocracies are used interchangeably in this thesis.

mutually exclusive nor collectively exhaustive" categories (Svolik, 2012, p. 32). This leads to various theoretical and empirical problems that make it difficult to elicit meaningful claims on the politics of authoritarianism (Pepinsky, 2014).

By a carefully paired comparison, this project seeks the internal validity of the two cases themselves, rather than establishing external validity across different authoritarian regimes. The following section will describe the case studies in more detail.

The comparative case studies

In the early summer of 2018, a rare wave of protests rocked Vietnam. Believing a draft law on Special Economic Zones (SEZs) would give China the right to occupy strategic geopolitical areas across the country, many thousands of angry citizens poured out into the streets demanding it to be withdrawn. In Binh Thuan province, protesters destroyed police cars, vandalized the government's provincial offices, and attacked the police (Duc Trong, 2018). In response, the National Assembly voted to withdraw the SEZ law, although this had been considered by the Vietnamese Communist Party (VCP) a priority to boost economic development. This was not the first time Hanoi had to back down in the face of popular pressure. In 1997, a farmer revolt against corruption in Thai Binh province also ended with the government concession (H. H. Nguyen, 2016). The then Permanent member of the VCP's Secretariat Pham The Duyet, the fifth most powerful position within the Party, was sent to discuss with the enraged farmers. In the aftermath of the Thai Binh revolt, the VCP issued the grassroots democracy directive, which aimed to prevent similar incidents in the future. Mr Duyet kept his position until the end of his term.

It is striking if we compare Hanoi's responses to similar events in China. In early 1989, a series of protests broke out across the country, most prominently in Beijing's Tiananmen Square. The then General Secretary of the Chinese Communist Party (CCP) Zhao Ziyang visited and discussed with the young protesters, urging them to end the hunger strikes. He was among the CCP faction that wanted to seek a peaceful solution. The ultimate result, however, was the opposite: On June 4, 1989, tanks and soldiers from the People's Liberation Army (PLA) invaded the square and massacred hundreds – if not thousands – of protesters. Mr Zhao was a victim himself: he was stripped of the Party chief's position and put under house arrest until his death.

The Tiananmen Incident created a path dependence for the way the CCP solves popular tensions: coercive actions are preferred over making concessions, particularly for incidents that

are deemed regime-threatening. In the dataset created by Yao Li (2019), of 1,418 mass events recorded from 2001 to 2012, 41 per cent were repressed by the police although only five per cent could be considered as carrying radical political claims. In one case discussed by Yongshun Cai (2010, pp. 1-2), more than 100 farmers were arrested and some delivered harsh sentences for peacefully demanding justice over land appropriation in Guangdong province in 2010. Repression is even worse under the rule of Xi Jinping, who further marginalized the already limited space for activism (Fu & Distelhorst, 2017). China has continued to invest heavily in its repressive capacity. Since 2012, Chinese domestic security spending surpassed military spending (Zenz & Leibold, 2019). Further, Beijing also spends a large amount of money on propaganda both at home and abroad (Lim & Bergin, 2018).

The picture is different in Vietnam. Despite maintaining its significance, the security apparatus has been weakened in the past four decades. The police is no longer allowed to directly engage in business activities, which used to be the main source of its vast wealth and power. The anti-corruption campaign has purged many senior police officials at both the central and local levels, further downgrading the public security branch in the power order. The 2018 restructuring of the Ministry of Public Security (MPS) also significantly reduced its influence in Vietnamese politics when thousands of positions were laid off (Ba Do, 2020). In addition, other signs, such as the state's difficulty to control social media as well as mass unrest, imply the decreasing control capacity of the Vietnamese state.

The difference is not only visible in the way the two regimes respond to crises. In a pathbreaking paper, Malesky, Abrami, et al. (2011) examine how Hanoi and Beijing have different governance priorities: while the former tends to spend more on egalitarian purposes, the latter has less pressure to guarantee income equality. More than half of the Vietnamese state's recurrent expenditure was for social spending (such as education, health care, and social welfare) (Vietnam Ministry of Finance, 2019b), which accounted for more than 20 per cent of its GDP. China, contrarily, focused more on economic spending, which explains why its government expenditure on social affairs was much lower than other countries at China's income level and OECD countries (The Economist, 2020; D. Wang, 2015). London (2014, p. 104) argues that Hanoi was more determined to preserve the "universalist principles of social citizenship" and equal redistribution than its much wealthier neighbour. Under fiscal constraints, Vietnam has been trying to reduce public sector employment by three consecutive administrative reforms since 1990s. Nevertheless, this has not been successful with the country having nearly 11 million people on the state's payroll (Vietnamnet, 2019) and the highest public employment per capita in Southeast Asia (World Bank, 2019a). The high public

employment in Vietnam can be seen as a way to appease constituents, which also happen elsewhere in Greece or Italy as a form of clientelism (Fukuyama, 2014).

The area of extractive capacity is also interesting for comparison. In Vietnam, the declining tariff as a result of increasing economic integration (Martinez-Vazquez & Gomez, 2005), declining revenue from natural resources (mostly crude oil), as well as accelerating equitization of state-owned enterprises (SOEs) have greatly reduced the regime's alternative options of revenue generation. Domestic revenue (minus income from crude oil and import-export taxes) accounted for 81 per cent of the Vietnamese state's income, with increasing dependence on the non-state actor by 2019 (including private enterprises and the FDI sector) and value-added taxes (VAT) (Vietnam Ministry of Finance, 2019a). In China, the efforts to raise taxes, particularly direct ones, have failed due to the lack of consent-based legitimacy (Gilley, 2017). Consequently, the regime has to generate alternative sources of income from SOEs, land sales, and recently by seeking control over some of China's biggest private companies (Feng, 2019; Reuters, 2019a).

These diverging patterns of state capacity – governance, control, and extractive – cast doubt on the conventional wisdom that the two countries are identical in terms of political dynamics and development trajectory. Prominent classification strategies put Vietnam and China into the same category, as civilian, communist, or single-party regimes (Gandhi, 2008; Geddes, 1999; Kailitz, 2013). Some simply contend that Vietnam is just a successful follower of the China model, which focuses on economic growth without political liberalisation (Bell, 2016). Yet if the two regimes are indistinguishable in the development model, what accounts for their different configurations of state capacity?

In the last ten years, an emerging research agenda has challenged the conventional "large-N" approach in the study of authoritarianism. While acknowledging the relevance of cross-national research, Pepinsky (2014, p. 650) calls for the re-focus on "true" politics of authoritarian regimes which digs deeper into their political dynamics rather than on "readily observable institutional structures". Malesky, Abrami, et al. (2011) and Abrami, Malesky, and Zheng (2013) examine how differences in the elite political institutions lead to different policy outcomes in Vietnam and China. More recently, Curato and Fossati (2020) propose to apply the concept of "authoritarian innovations" which concentrates on non-democratic practices rather than depends on static regime typologies.

In accord with this emerging line of research, this project takes a comparative case study approach to examine the relationship between political accountability and state capacity in Vietnam and China. As the two cases share many common characteristics in culture,

revolutionary origin, ideological roots, and economic development (Abrami et al., 2013), they set an ideal ground for comparative purposes (George & Bennett, 2004, p. 50). By matching these similarities, different outcomes in the dependent variables can be attributed to the remaining factors (Przeworski & Teune, 1970).

	China	**Vietnam**
Similarities	Communist ideology/Institutional setup of the regimes	
	Cultural similarities (Asian values)	
	Revolutionary origin of the regimes	
	Economic development trajectories	
	Close Party-level relationship	
	Ethnic and religious diversity	
Differences		
Geographical characteristics	Large	small
Historical governance model	Hierarchical, state-centric model of Confucian influence	Mixture of East Asian model and decentralised model of Indian influence
Population	Large (1.3 billion)	Medium (100 million)
External influence	Weak	Strong
Nationalism	Big-country mentality, anti-Western, anti-Japanese sentiment	Anti-Chinese sentiment
Political accountability	Low	High

Table 1-1:Selected comparative characteristics of China and Vietnam. Author's compilation.

The project focuses on two main questions:

First, what contributes to the different configurations of state capacity in Vietnam and China? Why do such differences exist?

Second, how do these variations affect the two regimes' resilience and prospects of political change?

My main hypothesis is that differences in political accountability affect the configurations of state capacity in Vietnam and China in the reform era. In turn, state capacity, once established, also influences the development of political accountability via the positive feedback effect. This dynamic relationship of political accountability and state capacity shapes the different paths of regime development in the two countries.

In detail, I argue while China has the characteristics of a low-accountability regime, Vietnam resembles a high-accountability regime[2]. Consequently, the former has a high level of control capacity and concentration on administrative effectiveness, while the latter has a low control capacity and tends to prioritise addressing popular demand. Vietnam also tends to have higher room for taxation capacity, whilst China's fiscal model has a unique mixture of taxation, rent extraction, and state-owned economic production (or "domain state"). These different configurations of state capacity engender different paths of regime development: whilst the China pathway emphasises control capacity and might be exposed to the risk of internal factionalisation (with the risk of coups being the most serious form), the Vietnam pathway empowers citizens and thus might be exposed to bottom-up pressure (with the risk of mass uprisings being the most serious form).

Political accountability	**Vietnam**	**China**
Internal	- Collective leadership of a broader ruling coalition (more competitive elite institutions, balance of power among different branches of state institutions). - The Central Committee remains the most powerful institution. - A more decentralised model of governance	- Power consolidates in a much smaller group (Politburo/Standing Committee of Politburo) - The Central Committee does not have significant influence. - More centralised model of governance
External	- A freer public sphere with little restriction on access to the global internet, a more connected network of like-minded citizens - Greater electoral competition, both at central and local levels, inside and outside the Party - More accommodated to citizens' demand	- Increasingly stricter internet and civil society environment - Less competitive electoral process - Few concessions to the citizens' demand which are perceived as regime-threatening behaviour

Table 1-2: Selected characteristics of political accountability in Vietnam and China. Author's compilation

The next section will discuss in detail the research framework.

Research framework

Given the two research questions, the project needs to address three main problems. First, I need to explain why and how political accountability has diverged in Vietnam and

[2] Certainly, the adjectives "high", "low", "efficient" and "responsive" only indicate the relative structural differences in each regime's capacity and political accountability, instead of being an absolute comparative indicator.

China. Second, I need to demonstrate the link between political accountability and the configuration of state capacity. Third, I need to explain the mechanism via which the configuration of state capacity affects regime development.

Admittedly, all are tremendous tasks and inevitably require a process-tracing examination of political developments in the two countries to the historical juncture where their political accountability started diverging. This research aims to analyse them in three periods: authoritarian stability (from the late 1970s to the early 1980s), authoritarian crisis (the late 1980s – early 1990s), and authoritarian consolidation (from the early 1990s to present). In this sense, the project fits within the historical institutionalist tradition with the focus of analysis being critical junctures and long-term processes (Pierson & Skocpol, 2002). Taking the definition of critical junctures as "relatively short periods of time during which there is a substantially heightened probability that agents' choices will affect the outcome of the interest" (Capoccia & Kelemen, 2007, p. 348), the second stage of authoritarian crisis can be seen as a critical juncture. Effectively, the choice of the research period with distinct characteristics aligns this study with the critical juncture framework set out by Collier and Collier (2002, pp. 30-31), which consists of the analysis of the antecedent conditions, the cleavage that triggers the critical juncture, and its legacy.

Overall, the project will take a dynamic approach which pays attention to both the "structural-historical context and the immediate-strategic context" of the investigated case studies (Jones Luong, 2002, p. 25). In other words, it aims to combine the macro-foundational framework of historical institutionalism in examining large processes with special attentions on contextualized situations and temporal elements (Pierson, 2004; Pierson & Skocpol, 2002) and the rational-choice approach in studying how the sequence of interaction, choice, structure of information, and payoffs among actors influence political results (Weingast, 2002, p. 661). In the words of Levi, it is analytic because it aims to "extract from the narratives the key actors, their goals, and their preferences and the effective rules that influence actors' behaviours" as well as the reason for the shifting of "institutional equilibrium" at some point (Levi, 2002, p. 111). In so doing, it attempts to balance the need to understand the structural factors while maintaining the role of human agency.

This approach aims to take advantage of the best features of both rational choice institutionalism and historical institutionalism while hoping to reduce their potential limitations. Rational choice analysis tends to have a functionalist perspective and explain well the micro-causal link between actions and outcomes (Jones Luong, 2002, p. 38). However, its

overreliance on theoretical assumptions as well as rigid treatment of institutions as exogenous often lead to the simplification of the surrounding context, which plays the key role to explain why the research problem arises in the first place. Furthermore, as Elster (2000, p. 694) points out in his criticism of the Analytic Narrative approach, assumption of rationality is not always correct as nonrational motivations are pervasive and tremendously difficult to be modelled. Second, rational choice analysis works well in stable institutional settings but has serious limitations in examining less-settled politics of transition (Robert H. Bates, de Figueiredo, & Weingast, 1998) where there is a high level of uncertainty. Despite the attempts to incorporate historical evidence, rational choice analysis only offers a snapshot of the history for illustration, rather than an efficient way to explore "slow-moving macroprocesses" (Pierson & Skocpol, 2002, p. 705).

Contrarily, historical institutionalist analysis convincingly accounts for the structural and historical conditions that shape actors' preferences and decisions, but finds it difficult to attend to the variations of political development in similar transitional contexts, as Jones Luong (2002) points out in her comparative case study of post-Soviet Central Asian states. In addition, to explain clearly path dependency and critical junctures – both of which are the keys to historical institutionalism – one needs to examine actions and decisions occurring during the critical juncture itself (Capoccia & Kelemen, 2007, p. 342). Rational choice approach will be beneficial in this aspect. For example, as the late 1980s is considered as a critical juncture, one needs to examine not only the overall historical context but the internal dynamic of the rulers' decision-making process. The way they responded to events in the junctures is significant not only because it might reveal how decisions were made (regarding internal accountability) and how the rulers perceived their relationship with the ruled (external accountability), but also because it might set a path dependence for successive leaderships. This might, in turn, affect the configuration of state capacity.

Naturally, the research is longitudinal as it requires examining the sequences of events in historical context. More specifically, I will chronicle the development of political accountability and state capacity in Vietnam and China in contextual detail during the reform era. The research will take on different levels of analysis, from the micro level (e.g., the death of party elders), to the meso level (e.g., cultural differences, the organization of political institutions, and specific policy outcomes), and to the macro level (geographical and historical variations of governance models). Depending on each chapter, specific methods of investigation are applied.

Chapter 2 takes the rational choice approach by employing the nested game framework developed by Tsebelis (1990). I argue the ruler, members of the selectorate, the population, and foreign powers are involved in different games, which are "nested" within one another, during the respective reform eras in Vietnam and China. Different payoff perceptions in each game influence the regimes' choice of accountability and eventually result in the divergence of political accountability in the two countries.

Chapter 3 and 4 follow closely the framework of historical institutionalism in explaining the diverging extractive and governance capacities of Vietnam and China. Chapter 5 combines both approaches to explore how control capacity has diverged in the two countries as well as to identify causal effects of political accountability on control capacity using regression analysis.

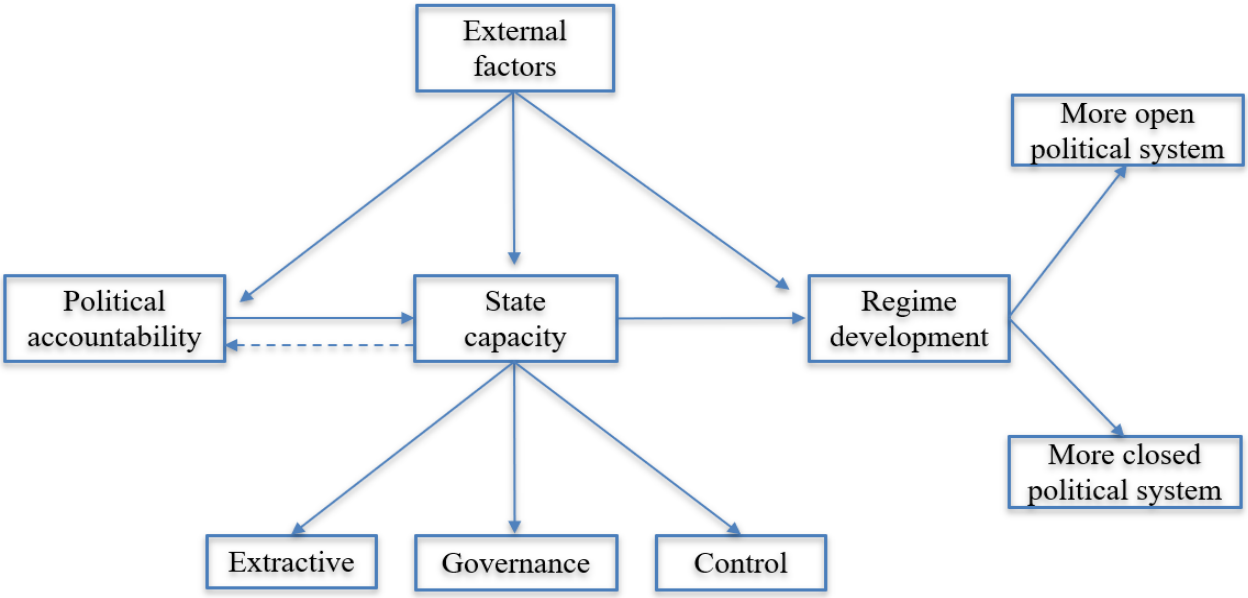


Figure 1-1: Political accountability, state capacity, and regime development.

The causal links among political accountability, state capacity, and regime development are illustrated in Figure 1-1. It can be seen that while the impact of political accountability on state capacity is the main correlation, the former can also influence the latter in what historical institutionalists term "positive feedback effects" (Pierson, 2004; Thelen, 1999). In addition, alternative explanations (or "counterfactual" analysis) will be considered when appropriate, in order to figure out the logic of decisions made at the time (Capoccia & Kelemen, 2007).

Political accountability and state capacity

There are many factors that contribute to the building and configuring of state capacity. Paths to power might make autocrats prefer one type of capacity over others: dictators arising from coups might prioritise building strong repressive capacity as a reward for loyalty or degrading it for fear of coups against themselves (Greitens, 2016). The rulers' own policy choices is another important determinant, as shown in the case of South Korea's Park Chung-hee who tried to balance between control and administrative effectiveness. Other factors include negotiations among the ruling elites in response to their shared threats (Slater, 2010) and external pressure (influence from foreign donors/patrons or external military threats). However, as time goes by, I argue the core determinants are the nature of the relationship between the rulers and the ruled and among the rulers themselves, because the foremost purpose of state capacity in an autocracy is regime survival. This is particularly true for resilient regimes which manage to survive for a relatively long period of time, after the turbulence and uncertainty of the early "autocratic seizure" wither away (Geddes, Frantz, & Wright, 2018).

In the words of Svolik (2012), these are precisely the problems of power sharing and power control: while the former relates to internal accountability (among ruling elites), the later relates to external accountability (how ruling elites manage their relationship with citizens). In a regime where political accountability is relatively high, rulers are under pressure to be responsive to both the ruling coalition and the population. Contrarily, rulers in a less accountable regime have discretion to decide the policies as they wish.

As resources are limited, state capacity is configured according to different characteristics of regime's accountability: under a regime with high level of accountability rulers tend to be more accommodating to popular demand, while a less accountable regime prioritises strengthening its own capacity. High accountability limits the ability of rulers to use coercion but provides them with more consent-based legitimacy to collect taxes. Consequently, a high-accountability regime is less repressive and has a higher extractive capacity. Contrarily, a low-accountability regime is more repressive and has lower extractive capacity and thus must depend more on non-tax revenues.

As illustrated in Figure 1-2, high accountability creates a pluralizing pressure by making autocratic regimes to be increasingly more accountable. By contrast, low accountability paves the way for (power) consolidating pressure, which in turn keeps accountability low. These can be seen as the increasing returns processes which self-generate path dependence (Pierson, 2000). External pressures might contribute to the former case, while playing little role

in the latter. As such, the relationship between accountability and state capacity can be seen as an evolving, symbiotic process with the "positive feedback" effect embraced by historical institutionalists (Pierson, 2004; Thelen, 1999): accountability shapes the configuration of state capacity; state capacity, in turn, influences accountability.

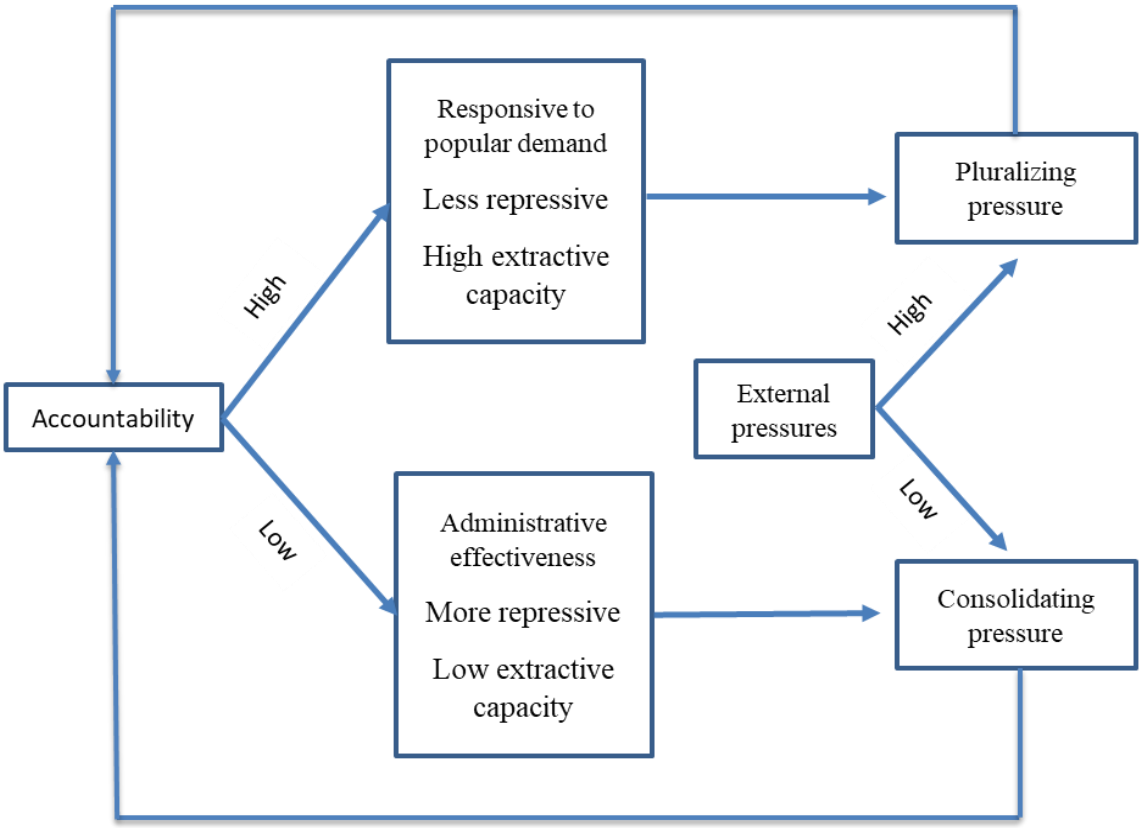


Figure 1-2: Accountability and regime development trajectories.

There is a common claim that political accountability does not genuinely exist in authoritarian regimes, particularly in a one-party dictatorship. However, abundant scholarship on authoritarianism has disputed this. Internal accountability in autocracy might come via "window-dressing" institutions including parties and legislatures which are used to solicit cooperation and co-opt elites and even the opposition (Gandhi & Przeworski, 2007), the cadre system popular in communist regimes (Rothstein, 2015), or intra-party organisations such as the powerful Central Committee of the Communist Party of the Soviet Union (CPSU) which had the power to oust Soviet top leader Nikita Khrushchev in 1964 (Svolik, 2012). External accountability exists in authoritarian regimes not as an electoral mechanism but as a channel for rulers to gather information without threatening collective action (Márquez, 2017).

Furthermore, in high-performing autocracies such as China and Vietnam, rulers pay more attention to popular demand and building their own version of "checks and balances" (Tsai, 2007). External accountability in authoritarian regimes does not come in the form of free and fair elections, but via other channels such as the press, social media, and civil society. In this sense, autocratic rulers allow some mild criticisms as a "safety valve" for public pressure (Hassid, 2012; MacKinnon, 2008; Shirk, 2011), and tolerate petitions and small-scale protests at the local level (X. Chen, 2011), but crack down on collective action deemed to be regime-threatening such as the Tiananmen protests in 1989 or Falun Gong in 1999. Scholars have named this phenomenon "consultative authoritarianism" (Teets, 2013), "deliberative authoritarianism" (B. He & Warren, 2011) or "responsive authoritarianism" (Heurlin, 2016).

I argue that the role of political accountability is particularly important in high-performing authoritarian regimes. At a lower level of economic development, citizens are more likely to accept the trade-off between economic prosperity and civil liberty. However, when reaching a certain level of economic prosperity, as economic growth slows down, the regimes' performance-based legitimacy inevitably erodes and popular dissatisfaction increases.

In addition, by-products of economic growth such as a rising middle class, widening social and economic inequality, environmental issues, higher levels of openness, and a more vibrant civil society – which represents external accountability – pose challenges to the regime's monopoly of power. Internally, the regime also faces problems of power sharing. Over time, institutional arrangements tend to decay, paving the way for a possible transition from contested to established autocracy (Svolik, 2012), which creates the risk of internal factionalisation as seen in the rise of Xi Jinping in China (McGregor, 2019).

As Figure 1-2 suggests, I argue autocrats have two choices when reaching this threshold. First, they can concentrate on building administrative strength and increasing control capacity, while avoiding pluralizing the political environment (hence keeping external accountability low). As shown in the case of China, doing so requires a strong leadership which can bypass collective mechanisms. Consequently, internal accountability also tends to be low in this scenario. I call this arrangement a low-accountability equilibrium. Conversely, autocrats might choose to be responsive to popular demand, holding back control capacity, and allowing limited space for pluralization and thus maintaining a relatively high level of external accountability. This tends to be accompanied with high internal accountability, because it indicates the presence of a more inclusive selectorate as shown in the case of Vietnam (Malesky, Abrami, et al., 2011). I call this arrangement a high-accountability equilibrium.

There are two reservations regarding the conceptualisation of accountability. First, internal accountability and external accountability tend to have a positive relationship in the long run. There two other possible combinations of internal and external accountability, which are low personalism/high authoritarianism (when there is high internal/low external accountability combination) and high personalism/low authoritarianism (when there is a low internal/high external accountability combination) (Figure 1-3). However, neither combination seems sustainable. In order to be less accountable in the former case, rulers must spend more resources in control capacity which could otherwise be used as spoils to be shared among ruling elites (or what De Mesquita, Smith, Morrow, and Siverson (2003) refer to as private goods). Gradually, this will lead to the power consolidation of the military and security forces, which deteriorates internal accountability. The transformation of China from an institutionalised to a more personalised regime under Xi Jinping illustrates this process. High personalism/low authoritarianism is usually seen in populist regimes which bear the risk of succession crisis: a less charismatic ruler will face tremendous challenges in fulfilling his predecessor's role as seen in the case of Isabel Perón in Argentina and Nicolás Maduro in Venezuela (Andrews-Lee, 2020). This type of regime is also vulnerable to mass unrest, as its security institutions might be designed to prioritise coup prevention (to keep internal accountability low) and thus find it challenging to address mass threats (Greitens, 2016). In addition, high external accountability (which means regimes are more responsive to popular demand) allows "populist" factions within ruling elites to arise, challenging the status quo of low internal accountability. This is possibly the reason for the rise of the "reformist" faction within the Vietnamese Communist Party in the late 1980s and 1990s. In sum, while the low personalism/high authoritarianism combination moves towards the low accountability equilibrium, the high personalism/low authoritarianism tilts towards the high accountability equilibrium.

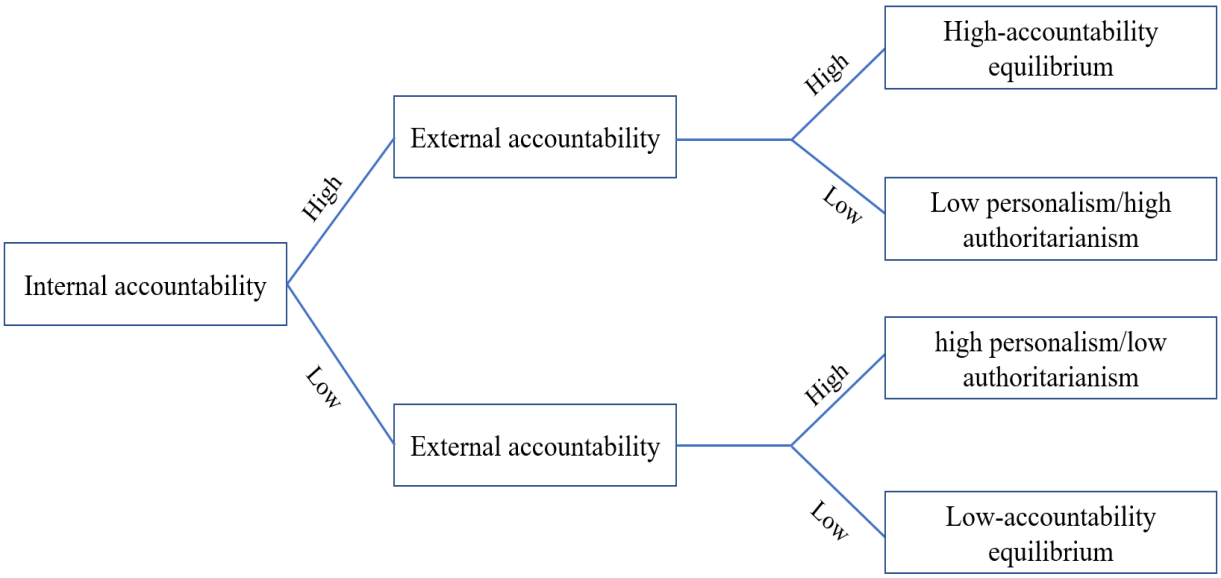


Figure 1-3: Internal accountability and external accountability in authoritarian regimes.

Second, accountability in autocracy does not provide the power to choose or remove leaders as it does in democracy. Consequently, to empirically measure and rank accountability in authoritarian regimes bears tremendous difficulty. This research does not aim to carry out such a task. Instead, "high" and "low" accountability equilibria applied here are merely an effort to conceptualise this phenomenon and thus have more qualitative characteristics.

Using the concept of accountability and state capacity might provide a useful approach to examine political dynamics in authoritarian regimes. I contend that the source of authoritarian resilience ultimately depends on the relationship among ruling elites (internal accountability) and between the elites and the masses (external accountability). These relationships dictate the configuration of state capacity, which in turn reflects the nature of regime characteristics. In this sense, similar to Brownlee (2007)'s description of ruling parties, political accountability here is treated as both exogenous *and* endogenous. In other words, political accountability is driven by both external factors and the dynamics of state capacity. It is exogenous at the start of the critical junctures, but during the course of development, will be influenced by state capacity and becomes endogenous. This approach hopes to explain parts of the puzzles in previous studies: if a dictator is aware of the problems of power sharing and power control (Svolik 2012), why couldn't he prevent the collapse of his regime? If a dictator is conscious about the threats he faces and builds his security institutions accordingly, why did some authoritarian regimes fall because of the exact threat that he perceived? The fall of Chun Doo Hwan's regime in South Korea is a vivid example: he was concerned with the threat of mass uprisings and designed the security institutions to accommodate it (Greitens, 2016), and

yet eventually his regime fell under the pressure of democratisation in the June Democracy Movement. Analysing accountability as a historical macro-level variable with both endogenous and exogenous characteristics might offer an alternatively useful explanation.

Additionally, the self-generating process of political accountability and state capacity in Figure 1-2 implies that the accountability equilibria are subject to change. When reaching a certain stage, the pressures (either pluralizing or consolidating) accelerate and push the regimes towards the next critical junctures. Consequently, an important question is how the dynamic relationship between political accountability and state capacity influences the regime's resilience. The next part provides an attempt to conceptualise this issue.

Political Accountability, state capacity and authoritarian resilience

State capacity in authoritarian regimes

State capacity plays a vital role in keeping political regimes stable (Andersen et al., 2014). It is even more important in authoritarian regimes, where rulers constantly face both internal and external threats. Ruling without a mandate is possible with the effective co-optation of elites and ruthlessly effective repression methods (De Mesquita et al., 2003). However, staying in power for a longer period requires dictators to have a certain degree of support from the population in the form of legitimation (Gerschewski, 2013). As such, rulers not only need an effective coercive force, but also a well-governed administrative system to provide adequate economic and social benefits, an efficient propaganda machine to persuade and recruit supporters, and abundant financial resources to realise those targets. Consequently, a resilient regime must have an effective combination of extractive capacity, governance capacity, and control capacity.

First, it must have a sustainable and reliable fiscal base. Maintaining a regime is costly, particularly with regimes that rule without democratic mandates. Fiscal resources are needed to control the population, as well as to share spoils among ruling elites. An *effective extractive capacity*, as a result, is one of the main conditions for regimes to stay resilient.

Second, it must provide *good enough governance* to deliver sustainable economic growth, decent wealth redistribution, and other administrative duties (e.g., public goods provision). Taking the concept of "good enough" governance from Fukuyama (2011), I argue this is significant to generate popular support, deter social discontent, and create a strong tax base for the state without putting it under the risk of democratisation. A good enough

governance system also helps build an effective power sharing scheme, partly solving the problem of power sharing among ruling elites.

Third, as autocracy operates with a lack of certain democratic principles, *control capacity* is the key to its resilience against internal and external threats. Along with good enough governance, this helps maintain power control over the population. I argue that control capacity consists of two main aspects: first, the capacity to generate specific and diffuse support (legitimation); and second, the capacity to repress the population (repression). In this sense, control capacity closely intertwines with extractive capacity (which provides it with financial resources) and governance capacity (which partly contributes to its legitimation aspect). Control capacity is also associated with the power sharing scheme: a highly repressive regime might signify power consolidation of those who dominates the control apparatus, consequently increasing the risk of coups, whilst an autocracy with a low control capacity might run into the risk of popular unrest (Svolik, 2012).

Arguably, these capacities can be justifiably called "governance/administrative capacity", as they are all different aspects of governance. State capacity is considered the ability of state institutions to implement their goals (Sikkink, 1991), but other than that it is a broad and seemingly vague concept to operationalise (Hendrix, 2010). Scholars have enthusiastically debated what should be the best classification: infrastructural/despotic state power (M. Mann, 1984), control of a territory, skilled bureaucratic officials or financial resources and the ability to pursue a specific policy (Skocpol, 1985), extractive, administrative, and repressive capacity (Andersen et al., 2014; Jonathan K Hanson, 2018), Fukuyama's scope and strength of state power (Fukuyama, 2004), the state's knowledge about its citizens – known as "legibility" (M. M. Lee & Zhang, 2016), or just simply extractive capacity (Besley & Persson, 2010). The separation of state capacity into three specific dimensions – which closely resembles Hanson (2018)'s – will be most beneficial to my comparative analysis, because it incorporates well the previous scholarship on state capacity and has analytical utility to provide room for different applications of research methods and data (Jonathan K. Hanson & Sigman, 2021).

Authoritarian regimes are believed to concentrate more on control capacity (Andersen et al., 2014; Gerschewski, 2013). However, there have been few research studies that examine specific configurations of state capacity in different contexts. This is a certain gap in the literature, because if each dictatorship is undemocratic in its own way (Svolik, 2012, p. 20), they might have different configurations of state capacity. This raises a question of why authoritarian regimes adopt different configurations of state capacity and how these will affect

their prospect of resilience and political change. In the next part, I will provide the conceptual framework that encompasses political accountability, state capacity, and authoritarian resilience.

Political accountability, state capacity and authoritarian resilience: a conceptual framework

When discussing the rise of autocracies after the Cold War, scholars have used different concepts to describe their stability. These range from "regime survival" (Gandhi, 2008; Geddes, 1999), "autocratic longevity" (De Mesquita et al., 2003), "authoritarian persistence" (Hinnebusch, 2006), "authoritarian stability" (Gerschewski, 2013; Svolik, 2012), "durable authoritarianism" (Brownlee, 2007; Pepinsky, 2014; Slater, 2010), "authoritarian resilience" (Nathan, 2003), to rather similar concepts such as "consultative authoritarianism" (Teets, 2013) and "successful authoritarian regimes" (Malesky & Schuler, 2010). In this project, I prefer using the concept of "resilience".

Although a regime's "resilience" is certainly more difficult to operationalise than "survival" or "durability", it differentiates high-performing authoritarian regimes from the ones that merely survive. "Resilience" implies the regime's ability to adapt and thrive by maintaining its authority during critical times of economic, social, and political changes (Gallagher & Hanson, 2013, p. 186). This is significant not only for academic purposes: if an autocracy is indeed "resilient", it might establish itself as a possible alternative model to liberal democracy which is considered as the ultimate winner in the ideological battle after the Cold War (Fukuyama, 1992). On the observational level, there are stark differences between the North Korean regime and the Chinese regime, although both have managed to survive since the 1940s. While the former poses immediate security threats to a few countries, scholars and policy makers are more concerned with the "China model" in the latter.

Using the concept of resilience, I also propose to extend the framework of analysis beyond the dictator's dilemma of balancing the risk of coups and the risk of mass uprisings. This framework was introduced by Svolik (2012) to describe what he dubs the "twin problems" of power sharing and power control in authoritarian regimes. While this framework is useful to examine the political dynamics of authoritarian rule, it bears several weaknesses.

First, it fails to incorporate the social and economic context within which autocratic rule prevails. For example, the trade-off between power sharing and power control might be less contentious if a regime gains substantial popular support, thanks to either its performance

or its legitimation efforts. It is widely hypothesised that citizens in authoritarian regimes would accept decent economic prosperity in exchange for political rights. When this happens, most frequently in high-performing regimes such as China and Singapore, the threat of mass uprisings decreases drastically, hence reducing pressure for rulers. Alternatively, a highly institutionalised regime with clear rules has smaller risks of the power sharing problem (Gandhi, 2008; Svolik, 2012), thus alleviating one of the dictators' grave concerns. Paine (2020) analyses how different characteristics of ruling elites – such as the regime's coup-proofing capacity, the degree of elite entrenchment, the affinity towards mass rule, and benefit perception of the current elite coalition – might influence the regime's responses to mass threats. In addition, this approach assumes authoritarian regimes operate without mandates, which means the population always want to revolt if given a chance. This assumption is certainly too simplified, as currently "successful" regimes like China have a large number of genuine supporters among the population thanks to a combination of both economic achievement and diffuse ideological support (B. J. Dickson, Landry, Shen, & Yan, 2016; R. Han, 2018; Zhong & Chen, 2013).

Second, although Svolik recognises the interconnected nature of power sharing and power control, he examines them separately in exchange for "analytical clarity and the heuristic value" (Svolik, 2012, p. 12). However, as autocrats simultaneously face the two problems, examining only one of which is not sufficient to understand the dynamics of their decision-making process. Greitens (2016) specifies the "twin problems" in the autocrats' dilemma of designing coercive institutions. Specifically, she argues that rulers cannot be safe from the risk of coups and mass uprisings at the same time because the security apparatus designed to deter one problem will pave the way for the other to arise. The limit of analysis to coercive institutions provides Greitens with manageable workload; nevertheless, it does not give us a broader picture of how dictators allocate their resources, because authoritarian regimes do not just depend on repressive capacity to survive.

Gerschewski (2013)'s "three pillars of stability" framework deals with the limitations of Svolik's by (re)incorporating the concept of legitimation into the analysis (p. 18). In so doing, Gerschewski emphasises the role of citizens' support to regime stability, along with repression and co-optation. Gerschewski is more explicit in adding temporal elements by analysing the "time-dependent stabilisation process", which are exogenous reinforcement, self-reinforcement within the pillars, and reciprocal reinforcement (Gerschewski, 2013, p. 30). The concentration on the regimes' capability instead of their problems does give Gerschewski a better position to expand the scope of analysis. However, similarly to Svolik's, his model fails

to account for the contextual factors, particularly the role of fiscal capability. While Svolik does not bring in fiscal capability into his analysis, Gerschewski only considers budget constraints an exogenous factor. This is inadequate in my opinion, given the fact that Gerschewski admits "power and material resources determine the limits of the institutionalisation process" (Gerschewski, 2013, p. 25). The ability to generate sufficient revenue should be seen as an endogenous part of regime stability, because it will be ultimately influenced by what happens in the "stabilisation process" of the three pillars.

Autocracy cannot guarantee its survival unless it possesses adequate fiscal resources. The demise of authoritarian rule is likely to be triggered by a fiscal crisis. Fukuyama (2011) draws a vivid example of the collapse of the Chinese Ming Dynasty which was triggered when the emperor could no longer pay his soldiers to protect the nation. Any attempts to widen the state's fiscal basis – particularly by taxation – will likely increase the risk of democratisation (Luciani, 1994), because with higher taxation comes higher demand for representation. High extraction rates would also depress the tax base (thus the rulers' future revenue), and might raise the probability of a successful revolution against them (Grossman, 1991). It is thus no surprise that most authoritarian regimes with plentiful resources (e.g. oil) have been particularly durable because they can keep a low tax base and high spending at the same time (Michael L. Ross, 2001). For other high-performing autocracies, maintaining performance-based legitimacy requires them to constantly increase budget expenditure, which in turn forces them to increase revenue, most of which come from taxation. Consequently, calculations on resilience strategies must take into account rulers' fiscal capacity.

Drawing from the aforementioned arguments and extending from the theoretical framework developed by Svolik (2012), Greitens (2016) and Gerschewski (2013), I argue there are two main pillars of authoritarian resilience. The first and foremost requirement is that the regime must survive. Accordingly, it must be able to solve the "twin problems" of power sharing and power control (Svolik, 2012). These require researchers to examine not only the "problems", but also the autocrats' own capability to deal with them.

Specifically, in terms of power sharing, the regime must possess a certain degree of institutionalisation in the process of leadership promotion and transition, and a relatively inclusive and stable ruling coalition (Nathan, 2003). This includes good enough checks on power such as the rule of law, the separation of powers, or popular contestability (Gilley, 2003).

In terms of power control, the regime must have sufficient control over the population, both in terms of legitimation and repression. Legitimation can be broken down into "diffuse support" and "specific support" (Gerschewski, 2013), in which the former refers to the level of

popular support for what the regime represents, whilst the latter indicates the fulfilment of popular demand, such as economic prosperity and income equality. In addition, autocratic regimes need a high level of repressive capacity to deter any threats, be it coups or mass uprisings (Greitens, 2016). Repression can come under "low-intensity" and "high-intensity" forms, of which the latter refers to high-visibility coercive acts that target high profile individuals or movements, while the former takes a low-visibility approach such as surveillance, non-physical harassment, and denial of public services (Levitsky & Way, 2010).

Second, mere survival does not guarantee resilience; it must be accompanied by the regime's adaptability to changing contexts. This ability allows them to weather exogenous shocks such as economic crises, external threats, coups, or mass uprisings. The Chinese communist regime, for example, has gone through several intense crises since it came to power in 1949: it survived the devastation of the Cultural Revolution in the 1960s, initiating the *Reform and Opening up* when facing social and economic crises in 1970s, getting over the legitimacy crisis after the Tiananmen massacre in 1989 and the collapse of global communism, enduring two major global financial crises of 1997-98 and 2008, as well as other pressures arising from changing domestic conditions (Nathan, 2003). By contrast, the Soviet Union was seen as an unstoppable force to counter the liberal order in the 1950s-1960s, but gradually lost its stamina, declined, and finally collapsed when it could not resist the unfolding institutional crisis in the 1980s. Consequently, examining a regime's resilience requires a temporal element, which is their endurance during difficult times or crises.

These two elements can be analysed via the framework of state capacity illustrated in Figure 1-4 below. Regimes invest in capacity differently. A totalitarian state might emphasise building its control capacity, while a developmental state might exhibit a strong performance orientation via its governance capacity. It is important to note that an autocratic regime faces a dilemma when building its capacity: barring the rentier state blessed with abundant natural resources, a regime cannot be both highly repressive and financially sound, as choosing one target would undermine the other.

On the one hand, a repressive regime requires to spend more resources on non-productive activities (i.e., funding security institutions), which could be otherwise used for investment that could bolster economic development. Besides, a high repressive capacity indicates a low level of accountability, which makes it harder to extract taxes from the population. Even with coercion, it is not easy for rulers to generate the desired amount of revenue without the subjects' consent. Analysing the cases of post-communist state-building in Poland and Russia, Easter (2008) postulates the state's extractive capacity depends on

citizens' perception of accountability. In Poland, tax compliance (and thus extraction) is high because the state manages to achieve a considerable level of consent from the society. Whereas in Russia, non-compliance is common even when the state employs a coercive strategy. China experiences the same failure in the attempt to increase tax revenues due to the lack of consent-based legitimacy (Gilley, 2017). On the other hand, the level of extraction tends to increase according to the level of democracy, as shown in various empirical studies (Acemoglu & Robinson, 2006; Cheibub, 1998; Fukuyama, 2011).

Regarding governance capacity, being effective administratively might come at the cost of being responsive to popular demand, because budget constraints prevent rulers from performing well in both. As a result, the configuration of state capacity, i.e., how regimes allocate resources to different capacities, reflects their priorities which ultimately affects their prospect of resilience.

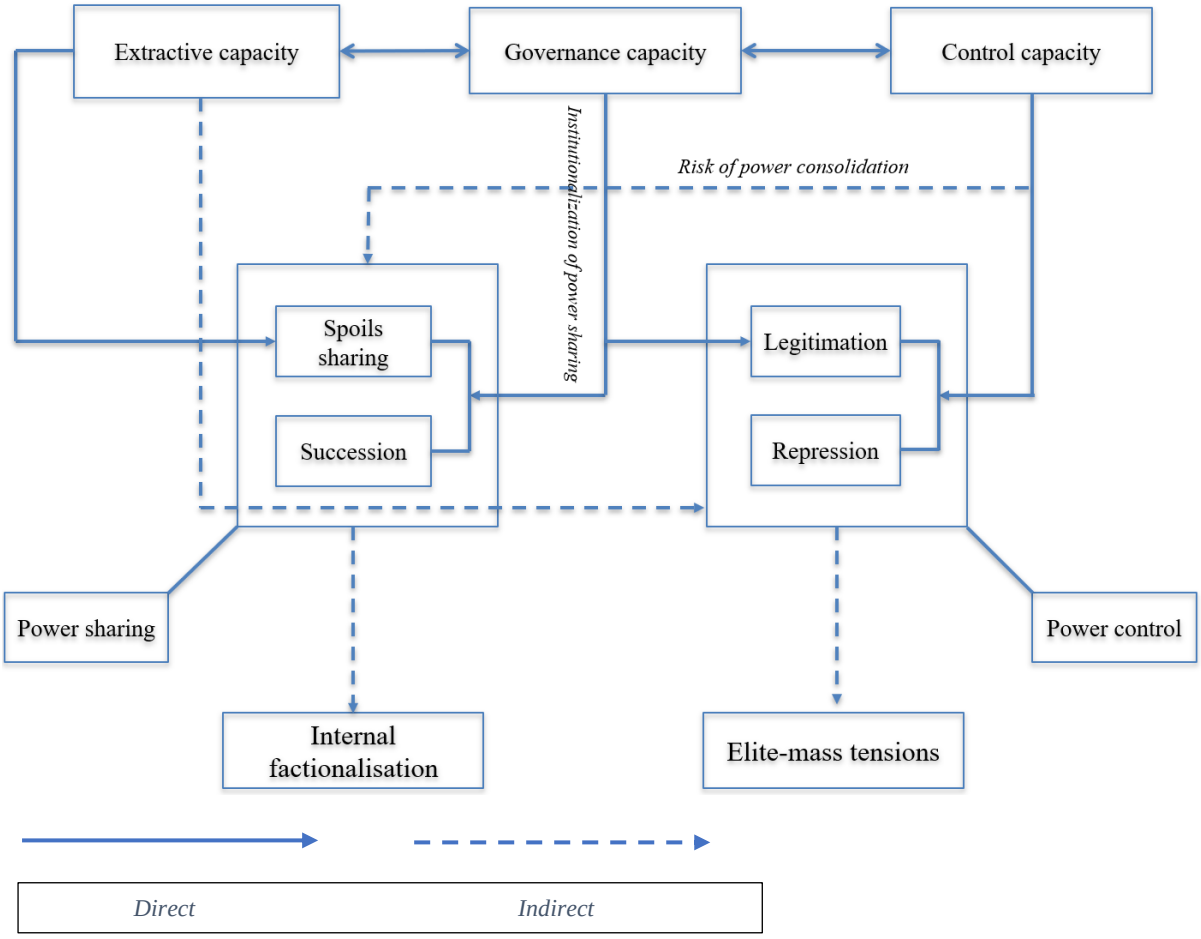


Figure 1-4: State capacity and the dictator's problems of power sharing and power control.

In my framework, the core of the dictator's "twin problems" (Svolik, 2012) – power sharing and power control – are kept, but I specify their operationalization in more detail.

Regarding power sharing, I divide this category into "spoils sharing" and "succession" of ruling elites. The former refers to the mechanism of sharing the fruits and positional privileges within the regime such as the principle of upward mobility, which is the basis of political meritocracy. The latter refers to the degree of institutionalisation in removing and selecting rulers. In this sense, governance capacity is linked to power sharing. Control capacity influences this problem because a strong repressive force with plentiful resources might imply a shifting balance of power within the regime. Extractive capacity directly affects spoils sharing.

In the case of power control, I divide it into "legitimation" and "repression". As explained earlier, *legitimation* is the capacity to generate popular support, while *repression* is the capacity to suppress. Control capacity affects both legitimation and repression in the power control bloc, while extractive capacity indirectly affects power control (as it determines the resources for control activities). Similar to Svolik's framework, I contend that the problem of power sharing creates the risk internal factionalisation, whilst the problem of power control leads to the risk of mass uprisings.

My conceptual framework is a capacity-based approach, which emphasises different aspects of state capacity that contribute to regime resilience. In other words, while Svolik (2012) focuses on the problems of authoritarian rule, I concentrate on its ability to overcome such problems. In this sense, my approach is in line with Gerschewski (2013). By including the financial aspect into analysis, this conceptual framework is more practical when examining the dictator's behaviour under the conditions of resource scarcity.

It is important to note that there is always a combination of the rulers' own rationale and contextual factors that force the rulers to adopt a specific design of state capacity. All autocrats want a stable ruling coalition, a prosperous society, and obedient citizens. However, resources are scarce and the emphasis on one factor might greatly affect the other. North Korean leader Kim Jong-un has not chosen to open up his regime like China and Vietnam have done, which would likely improve his regime's devastating economic situation, because doing so might make him lose his predominance over the ruling party and/or the society, or because he does not truly believe that is the right thing to do. In addition, other exogenous factors can play a part, such as the threat of international sanctions, economic crises, or external military interventions. In order to incorporate all of these factors into account, a dynamic approach which combines the examination of the structural-historical context with rational choice, actor-based analysis is appropriate.

Alternative explanations for state capacity

The choice of Vietnam and China – given the characteristics of the most similar system designs – has reasonably ruled out several alternative explanations such as culture, state ideology, revolutionary origins of the regimes, and economic development trajectory. Nevertheless, as suggested in Table 1-1, there are other factors that could account for the variation of state capacity configuration in the two countries. The most prominent ones include historical governance models, geographical characteristics, population, and external influence. These are all plausible explanatory variables which undoubtedly contribute to the specific characteristics of state capacity in both regimes to some extent. My thesis does not wish to establish that political accountability is the only explanatory variable to the configuration of state capacity and thus dismiss other alternatives. Instead, it aims to prove that political accountability is the strongest determinant in shaping the state capacity configuration. My empirical chapters will test the arguments against these alternative explanations.

Historical governance models. Historically speaking, China is seen as having a Confucian, hierarchical system of governance, while Vietnam as a mixture of East Asian model (originally in the North) and Indian model of governance (originally in the South) (A. B. Woodside, 1971). The former has the tendency of power centralisation regardless of political regimes, while the later inherits a more decentralised governing system. These characteristics will directly affect the configuration of state capacity, or indirectly via shaping the different tradition of political accountability. In either way, political accountability is epiphenomenal. While this explanation is intriguing, it can fall into the trap of relativism where comparative studies are not regarded as useful. Furthermore, even if historical norms of governance have lasting impacts (Dell, Lane, & Querubin, 2018), evidence shows that feudal Vietnam – as a tributary state – shared key similarities with the Chinese Middle Kingdom, which begs the question of what the exact remnants of the historical governance models are kept in the contemporary regimes.

Further, there is not yet evidence of the channel via which these "historical" characteristics transmit into the current governance practice, particularly if we take into account the turbulent history of both Vietnam and China in the 20th Century. Under Mao Zedong's Cultural Revolution, the communist China was extremely hostile to the traditional mandarinate (and hence Confucian ideology), while Vietnam seemed to be more receptive and less revolutionary in that sense before *Đổi mới*. If the closer historical periods have larger impacts

on the governance system, Confucian ideas would have more influence in Vietnam than in China in the early stages of economic reforms.

Another line of historical explanation lays on the uniqueness of state capacity in each country. China, for example, historically has had low taxation rates (Fukuyama, 2011; Sng & Moriguchi, 2014) which might explain the current regime's low extractive capacity and has nothing to do with the development of political accountability during the reform era. This counter-argument will be addressed in the empirical chapters.

Geographical and Demographic Characteristics. Size issue is unavoidable in making comparisons between China and Vietnam (A. Woodside, 1998): geography is a powerful alternative explanatory variable for the variance of state capacity in China and Vietnam, as the size of the latter is just similar to the former's middle-sized province. Relatedly, governing a country of nearly 1.5 billion is different from governing a country of 100 million population.

External influence. There are arguments that Vietnam as a middle power is much more bound by international institutions and external powers, and thus might be more exposed to the "Western linkage". The nature of nationalism in Vietnam, which is more anti-China than anti-Western, might also play a role in the country's openness to the West's ideas and norms. While recognising the external factor, I argue that this does not directly influence the configuration of state capacity but has to be channelled via political accountability. This will be analysed in more detail in the next chapter.

The operational concepts of political accountability and state capacity

Political accountability

In democratic theories, political accountability is often treated as electoral accountability, which is the ability of citizens to hold the government accountable by casting the vote. This approach, however, is not suitable to analyse accountability in a non-democratic setting where free and fair elections are non-existent. Furthermore, it neglects the important aspect of accountability within the regime itself: ruling elites are not unitary and there exist different accountability mechanisms that govern their relationship. As such, to examine political accountability in Vietnam and China, this research expands the operationalisation of this concept to effective representation (Moncrieffe, 1998) for both the ruling coalition and the citizens (Table 1-3).

In detail, I classify the concept of political accountability into internal and external accountability, which was elaborated by Mulgan (2000 and 2003), and to some extent Keohane

(2003) (although much of Keohane's discussion concentrates on global governance, not on a specific national context). Stakeholders of "internal" accountability are institutionally linked to one another, and their relations might be power delegation (more specifically, a principal-agent relationship) or power supervision (for example, a system of checks and balances). External accountability relates to the relationship between the regime and its population. This dichotomy draws a clear line between accountability within the ruling system and accountability to those affected by the system. For the purpose of my research, this is more appropriate than the more widely used vertical – horizontal distinction developed by O'Donnell (1998).

O'Donnell's "dimensional" framework might be confusing in analysing regimes with different levels of decentralisation. For example, how could I distinguish the relationship among central institutions (more specifically, the relations among the ruling party, parliaments, government offices, and courts) from the relationship between central and local authorities? According to O'Donnell, both can be classified as "horizontal accountability", but it definitely has a distinct "vertical" aspect in the central-local relationship. This would be easily confused with the "vertical accountability" which refers to the relationship between the regime and its population. In authoritarian regimes with a high level of decentralisation like Vietnam and China, provincial elites can simultaneously hold senior central positions (Edin, 2003) and have a complex power relationship with the central leadership. Leaving this out will make it difficult to understand the accountability mechanism in these regimes. Consequently, it will be more beneficial for my research to apply Mulgan's classification of accountability instead of O'Donnell's.

Concepts		Unit of analysis
External accountability	Direct mechanism	- Elections: communist party elections at different levels, national assembly/congress election, local election. - Direct engagement between the party-state and citizens: e.g., petition system in China and citizen reception system in Vietnam.
	Indirect mechanism	- The autonomy of media - The development of civil society - The state of social media
Internal accountability	Horizontal	- Power relationship among Party structures (Politburo, Standing Politburo, Central committees) - Power relationship between the Party and the State (National assembly/congress and the government)
	Vertical	Power relationship between local (provincial) and central government - Cadre management - Revenue sharing - Policy autonomy

Table 1-3: Operational concepts of political accountability in Vietnam and China

External accountability

This is the ability of citizens and their representative institutions to hold state accountable. There are direct and indirect mechanisms of external accountability.

Direct mechanisms include elections and other forms of public opinion polling. Despite being one-party regimes, there are a few types of elections in both China and Vietnam. Both regimes have two major elections which are compatible: state elections (including elections for members of national congresses – National People's Congress in China and National Assembly in Vietnam, and elections of local people's councils) and party elections (elections at different levels of the communist party leadership). While party elections can be seen as an internal mechanism of accountability, state elections act as a form of external accountability. Although elections do not have much meaning under one-party rule[3], both Chinese and Vietnamese rulers have been using elections to gather information on public attitude. Particularly, central leaders want to know more about the popularity of lower-level officials, as this is crucial in understanding public perception of the regime and avoiding potential risks of mismanagement. In Vietnam, for example, VCP members of the National Assembly will face possible disciplines if doing badly in the national elections (Malesky & Schuler, 2011). Both have piloted direct elections at grassroots levels (Malesky, Abrami, et al., 2011; O'Brien & Han, 2009), and have their own dynamics of competition (T. Luo, 2018; H. H. Nguyen, 2014). Other

[3] There are other legally recognised political parties in China, but they are confined to a consultative role in the Chinese People's Political Consultative Conference. In Vietnam, the two similar consultative political parties (the Democratic Party of Vietnam and the Socialist Party of Vietnam) were disbanded in 1988.

forms of direct communication between the regimes and their people can also be considered: the petition system in both countries (Dimitrov, 2015; T. V. Nguyen, Le, Tran, & Bryant, 2015; Vasavakul, 2014) and increasingly, online interaction between the citizens and the state (R. Han, 2018).

Indirect mechanisms include media autonomy and the level of control over the civil society sphere. As the most direct form (multi-party elections) does not exist, external accountability in authoritarian regimes is mostly indirectly operationalised. These include the restricted allowance of NGOs and other social groups to operate in apolitical areas (K. G. Nguyen, Nguyen, & Nguyen, 2017; Teets, 2013; N. A. Vu, 2017; Wells-Dang, 2012), a certain degree of media independence (Hassid & Repnikova, 2015; Nguyen-Thu, 2018), and a booming social media landscape (Bui, 2016; Hassid, 2012; Xin, 2010).

Internal accountability

This is the ability of different branches of power to hold each other accountable. The relationship can be both horizontal (among relatively equal central state institutions) and vertical (among hierarchical state players such as central versus local governments).

To explain horizontal accountability, I suggest evaluating the development of power structures within each regime. In China, this might include the analysis of the Party (the Politburo, the Politburo Standing Committee, the Central Committee) and the State (the National People's Congress, the government). In Vietnam, this includes the Party (the Politburo, the Central Committee) and the State (the National Assembly, the government).

On vertical accountability, I analyse the relationship between local and central governments, with a particular focus on the organisational and financial aspects (specifically cadre management, revenue sharing, and the level of policy autonomy).

Cadre management in China and Vietnam is considered as an efficient mechanism to keep the regimes resilient (Bulman & Jaros, 2019; Rothstein, 2015), consisting of the recruitment process, promotion and demotion of cadres, rotation policies, and cadre supervision (Bell, 2016; Edin, 2003; Rothstein, 2015). There are two main reasons why cadre management is considered as a form of internal accountability. First, cadre management involves negotiations among central and local authorities on personnel and determines the relative autonomy of local officials vis-à-vis central leaders. Second, senior local officials simultaneously hold membership of the most important representative bodies – the national assembly and the party's central committees. These positions give them the right to vote and effectively make them the selectorates of the system. To analyse this aspect, party elections at

the central level can be used as a unit of analysis, since they can reveal the nature of the relationship among senior members. A competitive party election indicates a relatively democratic and less hierarchical environment, while a superficial one might reveal signs of subordination. For example in Vietnam, although state elections are widely considered a farce with the always near-perfect 99 per cent voter turnouts, party elections at high levels (i.e. national congresses) tend to be competitive (Abrami et al., 2013). These patterns are less likely to be found in China, where the Central Committee is much more subordinate to the PSBC and particularly to the supreme leader (Economy, 2018; Fewsmith & Nathan, 2019; Malesky, Abrami, et al., 2011).

Second, the use of cadre management as a proxy for internal accountability can be seen in cadre rotation policy, which reflects the ability of the central government to fill senior provincial positions with their preferred choices. Third, the ongoing anti-corruption campaigns in both countries offer a useful indicator of cadre management: the ability to punish provincial elites. An in-depth analysis of the campaigns, consequently, can signal the power balance between the central and local authorities. J. Zhu, Huang, and Zhang (2019), for example, suggest that the anti-corruption campaign in China helps magnify support for the policy initiator (President Xi Jinping) while marginalizing and weakening legal institutions and other stakeholders.

Revenue sharing can reveal the power balance between local and central authorities over fiscal policy and determine the level of decentralisation within the state hierarchy.

The level of policy autonomy is shown via the separation of authority to issue and execute regulations between the local and central governments.

Foreign pressure

More often than not, domestic calculations have to take account of the external environment. The way competitive authoritarian regimes behave domestically, for example, might correspond to the linkage to and the leverage of the West (Levitsky & Way, 2010). Whether foreign pressures have positive or negative impacts on regime's political accountability depends on their sources of origin. For example, countries receiving aid from the West might need to initiate some democratic reforms, while there are often no such requirements for receiving aid from China. To reduce the complexity of the arguments, foreign pressure in this thesis refers to the West's linkage and leverage, which has been a big theme in both Vietnam and China during their market reforms. As such, foreign pressure in this context is in line with external accountability: similar to the population, the West prefers Hanoi and

Beijing to be as democratically accountable as possible. The concept of foreign pressure will be operationalised in more detail in Chapter 2.

State capacity

Empirically measuring state capacity is challenging, not least because there is no consensus on what constitutes state capacity. However, as noted by Fukuyama (2013), scholars can compromise by specifying the subsets of state functions to collect necessary data. Accordingly, I categorize state capacity into three distinct functions: extractive capacity, governance capacity, and control capacity. In each category, I apply Levitsky and Way (2010)'s scope and cohesion criteria for measurement. Specifically, scope refers to the reach of state apparatus to the society, which might include the size and quality of state institutions.

Cohesion refers to the ability to enforce orders within the state apparatus (Levitsky & Way, 2010, p. 59), or in other words, the unity within the political system. In this sense, cohesion is similar to the concept of "strength" that Fukuyama proposed (Fukuyama, 2004). The latter is more problematic to measure. Levitsky and Way's approach of looking at periods prior to the study period and non-material evidence (ethnic and ideological ties, history of shared struggles) might be useful in evaluating the repressive capacity of a state, but it would be less so in evaluating the other part of control capacity (legitimation), extractive capacity, and governance capacity. In this research, I attempt to examine the cohesion of state capacity by examining whether there is any sign of conflicts within institutions that are responsible for each category of state capacity (for example, a sudden exodus of senior officials, conflictual reports among agencies, public criticisms from higher authorities). In this regard, the relatively long research period will make it easier for historical patterns to emerge.

Extractive capacity

This is defined as the capability of the state to generate revenue. The scope of this capacity can be measured by budget revenue and taxation. Another indicator is budget expenditure, as it reflects the amount of fiscal resources that rulers expect to extract to run the system. As such, I suggest proxying the extraction level from local authorities via provincial budget revenue and expenditure per capita, which has been previously applied by Lü & Landry (2014). In addition, the organisation structure and quality of tax agencies are other important indicators to measure the cohesion of extractive capacity. It is worth noting that extractive capacity is not equivalent to taxation capacity, as authoritarian regimes can also "extract" revenues from non-tax sources such as natural resources or state-owned economic units.

Governance capacity

The scope of governance capacity can be reflected in economic, social, and political (institutional) dimensions. For the economic dimension, potential indicators might be the level of economic development (GDP per capita growth, income growth, public good provision). The social dimension might be reflected via income equality, the government's redistribution practices, and its general welfare policy. Malesky, Abrami, et al. (2011), for example, find that differences in elite institutions can explain for the differences in redistributive practices in Vietnam and China. Indicators such as the strategy of public recruitment, bureaucratic variations, and institutional coherence can serve as a proxy for the institutional dimension of state capacity.

The problem with some of the above indicators is that they are affected by many things other than state capacity – e.g., global economic conditions, pre-existing social structure, or the country's level of development – which are very difficult to control. In addition, it is also highly unlikely that political accountability alone can fully explain the above indicators. My research does not aim to establish such a correlation. Rather, for comparative purposes, I will examine to what extent political accountability affects the design of governance capacity, more specifically, whether it is designed for administrative effectiveness or to be responsive to popular demand. As such, I will make use of the governments' fiscal spending to examine their policy preference. Qualitative data, such as the regimes' cadre evaluation criteria or development plans, will be utilised.

Control capacity

I argue control capacity is not only the state's ability to suppress different forms of opposition, but also to persuade citizens about the regime's projects and promises. Consequently, I divide control capacity into two categories: repression and legitimation (restricted to propaganda in this category, as governance capacity also reflects an attempt to legitimize by socio-economic performance). Indicators such as public spending on publicly owned media, patriotic education, the number of party membership and so on can be used as a proxy for legitimation capacity, while various indicators related to the military and the police can be used as indicators for repressive capacity. The cohesion of control capacity will be measured via the examination of its organisational structure and human management policy.

Below are the concepts of state capacity and their proposed indicators which can be used for analysis.

Concepts	Unit of analysis
Extractive capacity	• The organisational structure and quality of tax agencies • Taxation (e.g., personal income tax per capita) • Budget revenue and expenditure per capita
Governance capacity	• Public goods provision • Welfare policy • public recruitment, bureaucratic variations, and institutional coherence
Control capacity	• The organisational structure and quality of coercive forces and propaganda organs • Spending on state media, ideology campaigns (propaganda) • Military and police budget per capita, number of military and police personnel per capita

Table 1-4: Potential indicators for the concept of state capacity.

Research outline

This research aims to explain why the configuration of state capacity has diverged in reform China and Vietnam, the two high-performing autocracies with many similarities. I argue that the differences in their political accountability, which was shaped during the critical juncture of the late 1980s, play the key explanatory role. Specifically, the high-accountability regime of Vietnam tends to be responsive to popular demand, moves towards a tax state model of extractive capacity, and has lower control capacity; whilst the low-accountability regime of China prioritises control capacity, focuses on administrative effectiveness, and maintains a unique extraction model of quasi-tax, quasi-rent, and quasi-domain state.

The thesis is organized into six main chapters. **Chapter 1** presents the puzzles and my research approach. In **Chapter 2**, I focus on explaining the origins of political accountability in reform China and Vietnam and examining how accountability has developed and diverged in the two countries during the reform era. Using a nested game approach, I argue that political accountability has taken different paths in Vietnam and China after the critical juncture of the late 1980s. I contend this is a result of the different outcomes in the three games played in two countries over the reform period: external accountability game (1), internal accountability game (2), and foreign pressure game (3).

The dynamic relationship between political accountability and state capacity in Vietnam and China will be examined in three chapters that focus on extractive capacity, governance capacity, and control capacity respectively.

Chapter 3 examines the puzzle over how Vietnam moves towards a tax state model while China maintains a unique extraction model by using tax data and policy discussions on fiscal policies of the two regimes.

Chapter 4 examines the diverging governance capacity in the two countries. The main proposition is that to keep low external accountability, China focuses on "efficiency spending" of infrastructure investment and research and development (R&D); whilst due to its relatively high external accountability, Vietnam focuses on "welfare spending" of education and healthcare. The case studies of Ho Chi Minh City and Shanghai, the two economic centres, are analysed for comparison.

Chapter 5 examines the development of control capacity of Vietnam and China in the reform era. It argues that to keep low external accountability, China has greatly strengthened control capacity, while the high accountability nature makes the Vietnamese regime less capable of building up its control capacity despite its concerns of mass threats. A limited regression analysis is used to illustrate the case of Vietnam.

Chapter 6 discusses regime development and prospect for political change in two countries, with a special focus on the different problems of the two regimes as a result of their different accountability models.

The conclusion summarizes the key findings, their implications, limitations, as well as suggestions for future research.

Chapter 2 - Why Accountability Differs? A Nested Game Explanation

In this chapter I apply the nested game approach, developed by Tsebelis (1990), to explain the divergence of accountability in Vietnam and China since the late 1980s. I argue that in certain historical periods, rulers are involved in different games, and their different payoff perceptions in each game will affect the characteristics of accountability of the regime.

The context and the players

In the early 1980s, Vietnam and China shared similar domestic and international circumstances. Politically, both countries were vulnerable to intra-party struggles, as the death of their founding leaders (Ho Chi Minh in 1969 and Mao Zedong in 1976) left a huge power vacuum. Le Duan and Deng Xiaoping were able to claim the supreme leader status in Vietnam and China respectively. However, while Deng Xiaoping maintained his position throughout the 1980s even after his formal retirement, Le Duan died in 1986, a few months before the crucial 6th Vietnamese Communist Party (VCP) Congress took place.

Economically, both countries faced existential crises as years of wars and conflicts, international sanctions, and disastrous economic policies took their toll. At that threshold, the Chinese Communist Party (CCP) unveiled the *Reform and Opening up* in 1978, followed by the VCP in 1986 with *Đổi mới*. While these decisions have undoubtedly been successful in bringing economic prosperity, democratisation pressures increased as political control was loosened to foster economic growth. Facing these pressures, political developments in Vietnam and China have diverged: while the former tends to be more responsive to popular demand (and thus heading to a high-accountability equilibrium), the latter has maintained a low-accountability equilibrium. I argue that both regimes are involved in a nested game of three sub-games, in which different payoff expectations in each game affect the regimes' choice toward accountability.

The games involve the following players: the Ruler (R), members of the Selectorate (S), the Population (P), and foreign powers (F). The three sub-games are internal accountability game (R – S), external accountability game (R – P), and foreign pressure game (R – F). The internal accountability game (G1) determines the characteristics of internal accountability, while the external accountability game (G2) between R and P decides the characteristics of external accountability. The foreign pressure game (G3) mostly affects the external

accountability game, either directly or indirectly. Different payoff perceptions in each game influence the regimes' choice of accountability. In the following section, I elaborate on the four main players in Vietnam and China.

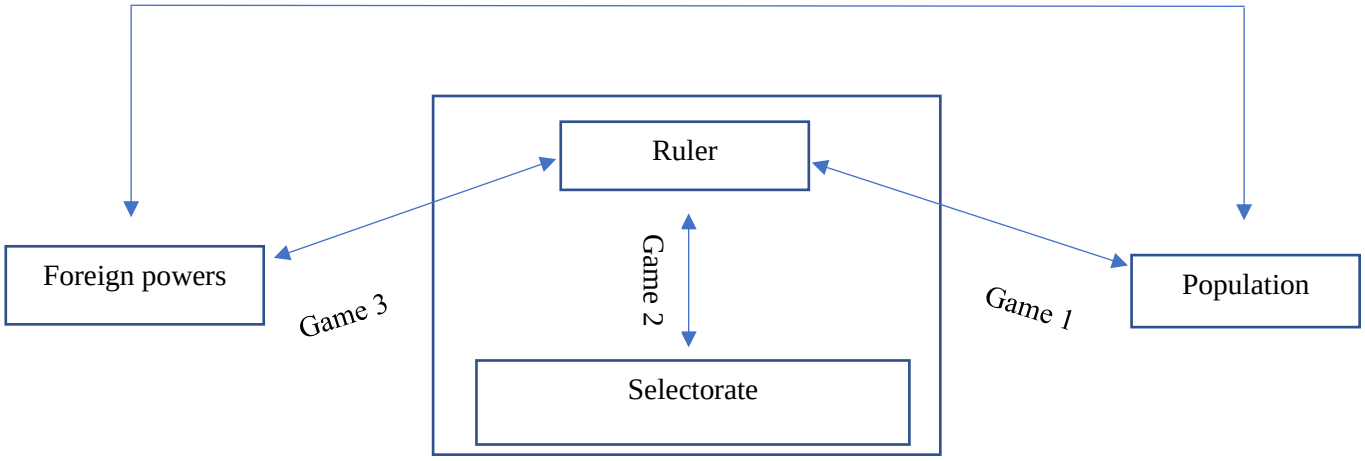


Figure 2-1: The authoritarian regime's nested games

Rulers

Although communist regimes are well-known for collective leadership, personal leaders retained the key role in the policymaking process in Vietnam and China at the beginning of their market reforms. Both regimes also had a strong history of building cults of personality in Ho Chi Minh and Mao Zedong, which continued in the case of Le Duan and Deng Xiaoping. The highest-ranked leader in a communist regime is usually the party's general secretary, although real power might stay elsewhere in some cases (during the 1980s, Deng did not hold any official party position except the Central Military Commission chairmanship but maintained his overwhelming influence over the system). In contrast to personal dictatorships, the party chief's opinions are not always conclusive under a system of collective leadership. His choice can be overruled by the selectorate, which can collectively choose the leadership and have access to special privileges provided by leaders (De Mesquita et al., 2003).

The Selectorate

The selectorate can be defined as "the set of people whose endowments include the qualities or characteristics institutionally required to choose the government's leadership and necessary for gaining access to private benefits doled out by the government's leadership" (De Mesquita et al., 2003, p. 42). The term is borrowed from British parliamentary politics and was first used by Shirk (1993) to analyse the political dynamics of the CCP. In an electoral

democracy, or a large-coalition regime in the words of De Mesquita et al (2003), the selectorate consists of anyone with the right to vote. In authoritarian regimes, the de facto right to choose the regime's leadership is limited to a very small group of people, with different characteristics depending on regime types. Most communist regimes formally assign the rights to leadership voting to the central committee of the party. However, the power of the central committee varies. In the post-Stalin Soviet Union, the Central Committee of the Communist Party of the Soviet Union (CPSU) had the power to decide the fate of the supreme leader: while protecting Nikita Khrushchev from an anti-Party plot in 1957, it removed him from power in 1964 after viewing his action as being increasingly dictatorial (Svolik, 2012, p. 90). Meanwhile, central committees failed to constrain the power of personal rulers elsewhere in Romania (Tismaneanu, 1989, p. 185) or China (Svolik, 2012, p. 60).

It is widely agreed that the VCP Central Committee is responsible for choosing the leadership in Vietnam (Malesky, Abrami, et al., 2011), while the picture is more complicated in China. Although the CCP Constitution acknowledges the Central Committee's authority to select party leaders, three out of four party chiefs after 1978 were handpicked by Deng Xiaoping (Hu Yaobang, Zhao Ziyang, and Jiang Zemin). The fact that Hu Yaobang was forced to resign by Party elders and Zhao Ziyang was dismissed without convening the Central Committee shows its limited power as the selecting institution. The rise of Xi Jinping in 2007 was a largely unknown process: some observers have credited his ascension to the support he enjoys among party elders (McGregor, 2019), his alleged popular image (Melinda Liu, 2007), his princeling origin (Fewsmith, 2018), or even luck (K. Brown, 2016). In any case, the role of the CCP's central committee in the leadership succession is largely questionable.

It could be argued, then, that Vietnam has a relatively strong selectorate, which can collectively keep their leader in check and thus has strong bargaining power. Contrarily, the formal selectorate in China seems to be weak and has less leverage vis-à-vis the rulers. These characteristics will have a huge implication for the players' behaviour in the nested game.

The Population

The population in both countries is disenfranchised and plays no significant role in deciding the regimes' leadership. However, the population could threaten the regime survival by mass unrest, as shown in the collapse of the communist Eastern Bloc. Although empirical evidence shows that coups account for most regime changes (Geddes, Frantz, et al., 2018), the

events in Eastern Europe make communist rulers in Vietnam and China constantly worry about "colour revolutions" staged by the population (T. C. Chen, 2010; Duong, 2020).

Before the market reforms, the population was tightly controlled in both countries. The household registration systems (*hukou* in China and *hộ khẩu* in Vietnam) severely restricted domestic movements, making it nearly impossible to organize any kind of collective action. The rationing system of essential goods under the centrally planned economy provided the state with efficient tools to punish any defiant actions. Strong repressive capacity – including both the security police and the military – also suppressed any potential mass uprisings. Furthermore, the hostile relationship with the West during this period prevented any meaningful support for pro-democracy movements. Consequently, the population under both regimes before reforms was fragmented, divided, and did not pose serious threats of collective action. A Vietnamese cabinet minister commented on the frustrating situation of the population in the 1980s due to economic mismanagement that "in another country, the government would have been changed" (Womack, 1987, p. 503).

However, tight control came at a huge cost: the socio-economic system of pre-reform Vietnam and China was on the brink of collapse at the end of the 1970s and the early 1980s. Facing existential threats, Beijing initiated the reform in 1978, while Hanoi experimented with market-oriented reforms in the early 1980s before adopting a nation-wide policy in 1986. Economic reforms also brought about limited political opening, creating space for the population to demand greater accountability from the regimes. This happened in both Vietnam and China in the early 1980s, when there were waves of liberal movements from large sections of the population. Although it is impossible to dismiss the proposition that some movements might aim at overthrowing the regimes, the majority only demanded more political reforms – or greater accountability – without directly targeting the communist rule.

It is important to note that despite having a relatively obedient population, the political culture in Vietnam was more inclusive at the bottom and more collegial at the top (Womack, 1987). This difference played a significant role in shaping the regimes' threat perception towards a more active population in the 1980s.

In this research, there are two assumptions regarding the population. First, the population as a whole would not intentionally seek to overthrow the regime. When demanding greater accountability, they simply ask for improvement of their living conditions. As R. Kennedy (2010) notes, the population is much less likely to support regime change when the

country has a higher level of economic development, as their interests are also vested in the system. Mass uprisings and regime change, if they happen, are unexpected results of other choices rather than of a rational calculation by the population. This non-revolutionary approach is sensible due to the problem of organizing collective action in a large and diverse population (Olson, 1971) as well as due to the inherent repressive nature of the Vietnamese and Chinese regimes. Second, this research assumes that the population considers more accountability to be better than less. Anyone would want to hold the regime more accountable, regardless of their political stance. The population in this sense represents the majority of the public and is considered as a unitary actor.

Foreign powers

As with the Eastern Bloc, democratic powers want to influence the process of democratisation in Vietnam and China. While the most preferred result is regime change, democratic powers are generally satisfied if there is any progress in political reforms at all. In so doing, they can use both carrots and sticks to pressure autocratic rulers to adopt more liberal reforms. In Vietnam, this led to the normalisation of relations with the United States and the ASEAN membership in 1995, the status of permanent normal trade relations (PNTR) with the US and WTO membership in 2006, as well as various free trade agreements. In China, following the Tiananmen Incident in 1989 the West condemned Beijing and sanctioned the regime heavily. However, given China's rising power in the past three decades, pressures have drastically declined with the West adopting a softer approach. It should also be noted that democratic powers have to consider their domestic public, which makes them carefully choose their fights. In the words of De Mesquita et al. (2003, p. 225), they "only engage in fights they anticipate winning". This explains why the West has relatively strong bargaining power with Vietnam (against which they have a winning position), but it does not have similar leverage in dealing with China (against which they do not have a certain probability of winning).

The domestic game tree

The principal arena is the domestic games, consisting of the external accountability game between the ruler and the population and the internal accountability between the ruler and the selectorate. The two games are nested within each other, in the sense that their outcomes are interdependent. The following game tree describes the different choices and possible outcomes (Figure 2-2).

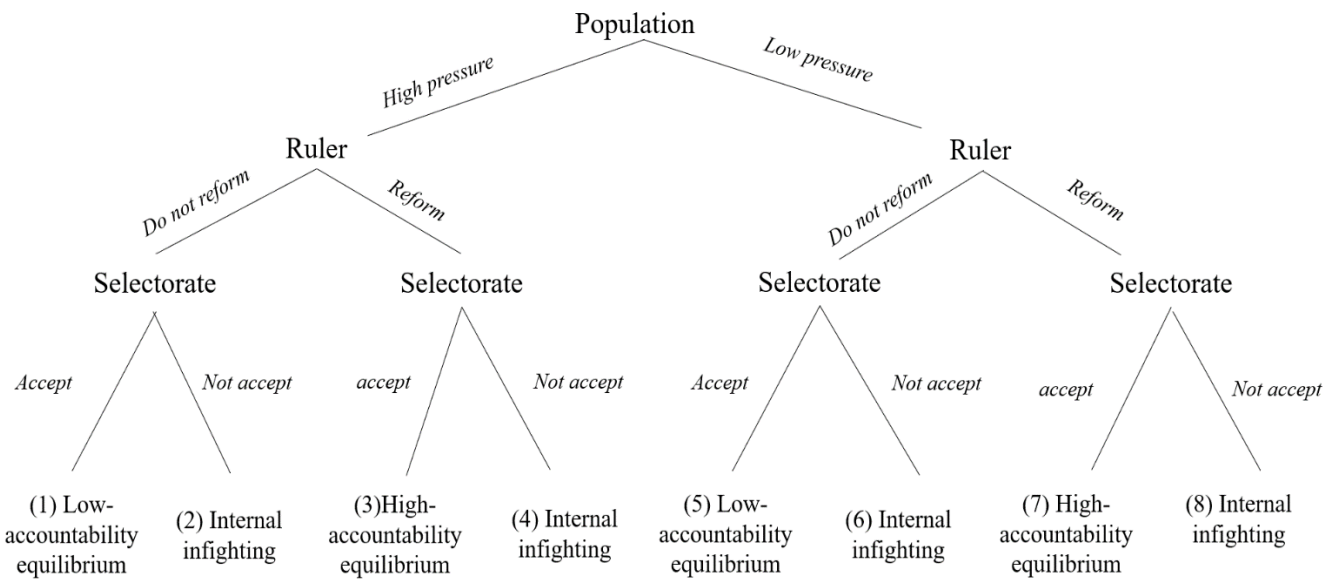


Figure 2-2: The domestic game tree of internal and external accountability in authoritarian regimes

I assume that the population will move first because external accountability is related to how ruling elites respond to citizens' action. Under autocracy, the population can either put high pressure or low pressure on the regime for more accountability. In turn, the ruler can either maintain the status quo or open up the political system.

The selectorate can either accept or reject the ruler's decision. If they accept, the regime will be unified in action to respond to the population's demand: that is repressing the population (1), opening to move towards a high-accountability regime (3), maintaining a low-accountability equilibrium (5), or actively moving towards a high-accountability regime (7). If they do not accept, there will be risks of internal factionalisation/coups, corresponding to the outcomes in (2), (4), (6), and (8).

The outcomes for the population's action depend on the regime's unified response. If the population demands greater accountability and the regime accepts, the outcome will be a high-accountability equilibrium (3). If the regime rejects the demand for accountability, the population will be repressed. In two other scenarios where the ruler and the selectorate disagree with each other, the outcomes depend on the result of the infighting.

If the population does not put high pressure for accountability, the outcomes will be either a high-accountability scenario (if the unified response of the regime is to open the political system) or a low-accountability scenario (if the unified response of the regime is to maintain the status quo). In case the ruler and the selectorate disagree with each other, the outcomes depend on which side that prevails after the internal power struggle.

There are eight potential sub-outcomes of the domestic games, with three main groups: low-accountability equilibrium [outcome (1) and (5)], high-accountability equilibrium [outcome (3) and (7)], internal factionalisation/coups [outcome (2), (4), (6), and (8)]. It is important to note that despite sharing the same categories, outcomes are differentiated. For instance, a low-accountability equilibrium with the population's low pressure (5) might be more desirable for the regime than the one with high pressure (1), which means the regime has to spend more on repression and faces risks of mass uprisings.

For simplification, the foreign pressure game is not included in the game tree. This game is primarily associated with the external accountability game, as both concern the regime's level of democracy. As such, the moves of democratic powers are similar to the moves of the population (either putting high pressure or low pressure on the regime). In turn, the regime can either accept or reject the demand.

The moves and outcomes of the game tree are certainly contextualized in different authoritarian regimes. For example, the population will choose to put high pressure for accountability if they believe they have strong leverage, the government will not respond strongly, or simply because they cannot endure the regime any longer. The regime's responses, in turn, depend on the dynamics of its power sharing mechanism and unified calculation. In other words, moves and outcomes vary in different autocracies depending on different payoff orders in their nested game. In the following section, I describe the accountability game in China and Vietnam in the reform era.

The nested game analysis

In the games described below, each number represents the players' priority order (1>2>3>4) instead of an exact payoff value. The outcome depends on the combination of the choices made by the players, as an ordered pair (x,y) where x is the outcome for Player I and y is the outcome for Player II. With the assumption of rationality, each player aims to obtain the largest return, which is to have an optimised x or y in each game. The interaction between two players produces a Nash-equilibrium outcome in which each player's strategy is the best response to the other's move. However, players in the nested games participate in multiple arenas that are nested within each other. Consequently, the player's choice in a specific game

might appear irrational in one sub-game but could be optimal in their ultimate outcomes of all games. This might be seen as "losing the battle but winning the war".

Game 1: The Regime and the Population

As shown in the domestic game tree, there are two equilibria in the external accountability game: the regime can either become more accountable (moving towards a high-accountability equilibrium) or maintain the status quo (remaining a low-accountability equilibrium). The population can either pressure for accountability or accept the status quo.

I argue the game between the regime and the population in reform Vietnam and China has three stages with different payoff expectations since the late 1970s to the present, combining the first stage of authoritarian stability (the late 1970s – the early 1980s), the second stage of authoritarian crisis (the late 1980s – early 1990s), and the third stage of authoritarian consolidation (from the early 1990s to present) (Table 2-1). The first stage refers to the period when both regimes found – though temporarily – stable conditions of internal and external accountability after the previous crises (China's Cultural Revolution and the Vietnam War). The second stage refers to the period when both regimes reached a historical juncture where they faced existential crises. The "breaking point" is the Tiananmen Incident in China in 1989 and the socio-economic crisis in Vietnam in the late 1980s. Both regimes recovered from the crises and consolidated their power in different ways in the third period of authoritarian consolidation.

	Stability	Authoritarian Crisis	Consolidation
Vietnam	1980-1985	1986-1989	1990 to present
China	1976-1988	1985-1989	1990 to present

Table 2-1: Three stages of political development in Vietnam and China.

Stage 1: Authoritarian stability – the baseline model

This baseline model shows the preferences and behaviours of rulers and the population in a stable authoritarian regime. In this circumstance, their monopolistic power is already consolidated, which means the regime does not face the chaotic and fragile period of early dictatorship (Geddes, Frantz, et al., 2018), while existential crises have not yet arrived or have

been temporarily put under control. Vietnam and China in the late 1970s and early 1980s fitted into this category.

After the death of Mao Zedong in 1976, the subsequent punishment of the Gang of Four, and the ouster of the then CCP chief Hua Guofeng, Deng Xiaoping and his supporters quickly consolidated power and by 1978 had possessed essential political capital to launch the *Reform and Opening up* (Baum, 1994; Shirk, 1993). The 1979 war against Vietnam helped Deng to reassert control over the military and establish himself as the supreme leader (Xiaoming Zhang, 2010), clearing the way for him to carry out his reform policy without hindrance.

In Vietnam, the turbulent five years after the end of the Vietnam War (from 1975 to 1980) – with the Cambodian invasion and the 1979 war with China - devastated its already shattered economy and isolated the country from the whole world. However, the external threats helped sustain the regime's legitimacy as the nation's protector and thus kept the suffering population from expressing widespread dissatisfaction. In addition, a one-million strong police force plus 2.6 million armed forces, which took up 47 per cent of the country's budget expenditure at the time, were capable of preventing any actual uprisings (Vo, 1990). Similar to Deng in China, Le Duan amassed unrivalled power in the VCP after the death of Ho Chi Minh in 1969.

The Regime's payoff order

In the external accountability game, the Vietnamese and Chinese regimes had two choices: either to maintain the status quo or open for accountability. The first preference for the regimes was to keep low accountability while the population did not pressure for reforms. Then, with the population's acceptance of the status quo, the regimes did not have to increase the costs of repression.

The regime's second preference (2) was to allow greater accountability although the population did not demand it. This is known as the "controlled opening" of autocracy as seen in the case studies in Latin America and Southern Europe (O'Donnell, Schmitter, & Whitehead, 1986). In this case, the regime faced risk arising from being more open politically. In return, it had a positional advantage to dictate the country's development path.

A worse payoff (3) was when the regime had to repress citizens when they demanded greater accountability. This outcome was more costly and nurtured underlying tensions for

future discontent. However, the costs could be justified as the orthodox communist ideology played a critical role in shaping Vietnamese politics after the war, which left no room for any competing Marxist ideas, not to mention liberal ones (T. Vu, 2016). In China, the horror of the Cultural Revolution – instigated by ultra-leftists – prompted CCP leaders to adopt tighter political control.

The worst outcome for the regime was to accept high accountability under high pressure from the population. In this case, the regime would both be in a reactive position for any reform agenda and risk being overthrown by the population. Given the historical context, this outcome was simply not possible at this stage.

The population's payoff order

The population also had two choices: to put strong pressure for accountability or to accept the status quo (Table 2-2). Choosing the former, the population would have the best outcome if the regime accepted (1). However, they risk having the worst outcome if the regime persisted the status quo (4). The population in this period, as analysed above, was weak, fragmented, and unable to organize meaningful collective actions. In addition, given the overarching presence of the coercive forces in the two countries during this period, any public dissent would risk heavy punishment. The population had little chance of successfully pressuring for change, while the cost of losing in such a struggle was huge. The better payoffs (2) or (3) for them came when they kept low pressure for accountability, with the regime providing greater accountability or keeping the status quo, respectively.

		Population	
		Strong pressure for Accountability	Low pressure for Accountability
Regime	Allow Accountability	4;1	2;2
	Maintain status quo	3;4	1;3

Table 2-2: External accountability in stable authoritarian regimes. Priority order: 1>2>3>4.

Outcome

The Vietnamese and Chinese regimes had a dominant strategy to maintain the status quo, therefore they would do so no matter what choice the population made. Given the persistence of the regimes, the population understandably chose to put low pressure for accountability. The outcome of the game at this stage, as a result, was the lower right cell (1,3).

The preference of both players in this game is contextualized. The historical contexts provided both regimes with the leverage to maintain the status quo in terms of political control.

This choice was also sensible because after years of turmoil both regimes clearly preferred stability over stepping into uncertain waters of political reforms. The population – in addition to their fragmentation and powerlessness – had been indoctrinated with the ruling ideology for years and lacked guiding ideas for their demands.

Yet the rapid changes in Vietnam and China in the early 1980s had a huge impact on both players, and thus changed their preference. At this point, the regimes moved into the historical juncture of authoritarian crisis. The next section describes how the external accountability game was played in China and Vietnam during this period.

Stage 2: Authoritarian crisis

The rise of Deng Xiaoping to supremacy was accompanied with a brief period of limited liberalisation, including the rehabilitation of millions of intellectuals who were demonized in the Cultural Revolution and the anti-rightist campaign, a more tolerant view on cultural products, and a general relaxation of control over society (Meisner, 1996). In a much cited speech delivered to the Political Bureau of the Central Committee on August 18, 1980, Deng noted the mission to "practise people's democracy to the full" as one of three main objectives of the modernization process (Deng, 1984). Activists from the democracy movement could compete in a grass-roots election, where they stimulated serious political debates and even won in some local areas (Nathan, 1986, pp. 193-223). This period was considered as the second blooming of "the Hundred Flowers", during which different parts of the population were able to express their opinions more freely. One scholar noted that during this period the average Chinese "enjoyed much greater access to information from and about the outside world than at any period since 1949" (Huan, 1986, p. 8). Meanwhile, after a promising start, economic reforms had not been as positive as expected. The regime faced periodic economic crises in the 1980s and by the end of that decade, economic situations had been much worsened. Frustrated with economic stagnation and delayed political reforms, there were periodic demonstrations across China in the period 1985 – 87. Most notably, more than 50,000 protesters went on the streets of Shanghai in mid-December 1986, sending shock waves to the core of the regime's leadership (Meisner, 1996, p. 362). By the time the democracy movement intensified in 1989, the pressure for greater accountability from the population had already been immense.

In Vietnam, the VCP realised their disastrous economic policies and attempted to reform the economy in late 1979 (Vo, 1990). The initial success of economic liberalisation proved to be short-lived, however, and the economy stagnated by the mid-1980s. The failure

of the price-wage-currency reform in 1985 – which made the inflation rate hike up to 700 per cent in 1986 – further deteriorated the country's situation (Harvie & Tran, 1997). Despite having a predominantly agricultural economy, Vietnam failed to have food self-sufficiency and had to depend on food imports to feed the population (Vo, 1990). The country was increasingly dependent on Soviet aid, which made the circumstances more difficult due to the Soviet Union's own unfolding crisis (Horn, 1987). In 1985, the then Vietnamese prime minister Pham Van Dong admitted that the country's per capita national income did not increase since 1976 (Vo, 1990). The real situation might have been much worse. The population became increasingly hostile to the state. The official political report of the 6th Congress admitted the ongoing malaise "significantly reduces the faith among the people to the Party leadership" and the Party had "failed to stabilise the socio-economic situations as well as the people's living conditions" as targeted in the previous Congress (Vietnamese Communist Party, 1986a).

As such, both regimes faced existential crises by the end of the 1980s. Maintaining the status quo was more costly, while the population's preference for payoff orders changed.

The Regime's payoff order

The preference for payoff order of the regimes did not change from the first stage. As the economic reforms stagnated, both the VCP and the CCP preferred to have less bottom-up pressure. In addition, the internal accountability game in both countries at this stage – with the omnipresence of supreme leaders Deng Xiaoping and Le Duan – produced an outcome of low accountability equilibrium (when the ruler preferred personalizing power and the selectorate accepted). As such, although the stakes were high, their formidable repressive capacity, the relatively unified internal stance, and the lack of credible external pressure induced both regimes to stay firm by their hard-line approach.

In the VCP's various internal documents from 1979 to 1986, keeping "social and political stability" was emphasised as one of its most important tasks. For example, in the VCP's 10th plenum in 1986, just months before the much mentioned 6th Party Congress, the Central Committee concluded that the "social and economic situations have not been stabilised and [the country] is facing extreme difficulties"(Vietnamese Communist Party, 2006d, p. 110). It emphasised the next five-year plan should "fundamentally stabilise the social and economic situations, of which the most important are to stabilise and make progress in economic production; stabilise the market, price, finance, and monetary circulation; [and] stabilise and improve the working class's living conditions." (Vietnamese Communist Party, 2006d, p. 114).

In China, the regime started clamping down on the democracy movement just months after Deng Xiaoping formally took control of power in 1979 (Meisner, 1996). In his remarks at the CCP's 6th Plenum in 1986, Deng admitted that "there is now a trend of thought…in favour of liberalisation" among the young population and that if no action was taken, "it would have undermined our political stability and unity" (Deng, 1994, pp. 122-123).

For a similar logic as analysed in the first stage of the game, the rulers' first preference was keeping low accountability while the population had low pressure for accountability (1,4). The second preference was to allow greater accountability with the population not putting too much pressure (2,2). The third-best scenario (3,3) was to keep low keep low accountability despite high pressure from the population, while the worst scenario was to open for accountability under the population's pressure (4,1).

The population's payoff order

It is important to note that both the VCP and CCP in the early 1980s wanted to carry out economic modernization without political reforms, or in Barrington Moore's words, "conservative modernization" (Moore, 1993). That explained the rationale of keeping low accountability while pushing for economic reforms in both countries.

However, the unexpected social results of the market reform gradually dismantled the existing structure of the communist societies in Vietnam and China. The egalitarian principle was put aside for the motto "someone must get rich first" with sharp increases in income inequality, widespread corruption fuelled the appearance of the "bureaucratic class" (Meisner, 1996), the de-collectivization of the rural economy created an army of farmers flocking to the urban areas in search of jobs and market (Zweig, 1997), and liberal ideas equipped the population – particularly the youth and intelligentsia – with new ideological weapons in their negotiation with the state. Under the new circumstance, the population's preference for the payoff order changed.

The population's first and second preferences were similar to the first stage, both saw the regime carry out reforms with either the population's high pressure (1) or low pressure (2). However, the payoff order of the third and the fourth preferences shifted. The population was more willing to take risks to put forward their demand, as their living standards deteriorated significantly. In Vietnam, before the market reform policy was officially announced in 1986, the risk of famine was visible (Vo, 1990).

Outcome

While the regime strictly preferred to keep low accountability, the population now shifted their preference to high accountability in this stage. Consequently, the most likely outcome is (3,3) (Table 2-3).

In this scenario, the ruler still maintained their rule but faced higher risks of future mass unrest. Besides, in order to keep low accountability, more investments into repressive capacity were needed. The population faced the risk of being repressed but pressed for change in the hope of changing their status quo.

		Population	
		Strong pressure for Accountability	Low pressure for Accountability
Ruler	Reform	4;1	2;2
	Do not reform	3;3	1;4

Table 2-3: External accountability in authoritarian regimes in crisis. Priority order: 1>2>3>4.

Stage 3: Authoritarian consolidation

The outcome of the game in stage 2 was transitional, indicating that the regime was in crisis. However, the equilibrium of (3,3) was not durable, as this would require increasing repression and thus planting seeds for future unrest, because the population preferred putting pressure if the situation did not change.

In China, social tensions ran high in the late 1980s. Economic conditions continued to deteriorate, with inflation reaching the point that the CCP admitted "the masses cannot bear it, enterprises cannot bear it, and the country cannot bear it" (Chinese Communist Party, 2011b, p. 257). Social discontent translated into social protests that were widespread across the country, first started in Beijing then broke out in Shanghai, Xian, Nanjing, and other big municipalities (Ash, 1989). J.-H. Zhu and Rosen (1993), in a rare study of public opinion of working urban residents in China three months before the Tiananmen Incident, contend that the attitude toward reform was the strongest predictor of protest and that the pro-democracy protesters were concerned about the direction the country was heading under the CCP.

In Vietnam, there were fewer cases of social unrest in big cities during the same period. The biggest known incident was a mass protest of more than 300 farmers in Ho Chi Minh City in 1988, while a small student protest in Hanoi in June 1989 (which coincided with the Tiananmen protest in Beijing) was quickly dissolved as the authorities made concessions to the protesters by giving larger stipends and guaranteeing better living conditions (Cima, 1990). In

total, there were 13 recorded student mass protests nationwide by the summer of 1989 (Huy Duc, 2012b, p. 43). However, the atmosphere was no less precarious for the VCP, particularly when its social and economic problems persisted after 1986. Its biggest donor, the Soviet Union, decreased aid substantially before collapsing completely in 1991 (Duiker, 1989; Schellhorn, 1992).

At this stage, both regimes in Vietnam and China had two choices: either to accommodate the dissatisfied population or to take repressive actions to put down the risks of mass uprisings. At this juncture, their preferences diverged.

The Regime's payoff order

In Vietnam, as the needs for reform increased, having higher accountability was preferred. The regime had already faced too many serious problems – from its quagmire in Cambodia, its lingering standoff with China over its northern border, severe economic and food crises, and decreasing aid from the Soviet Union – to put more resources into repression. Furthermore, as the market reforms stagnated, the Party rulers had to get more popular support rather than risking more alienation from their citizens. As Harvie and Tran (1997) note in their comparative analysis of Vietnamese and Chinese economic reforms, Vietnamese rulers did not have the capacity to carry out the massive experiment that Deng Xiaoping was doing in China.

It is important to note the regimes did not automatically have a unified response to the population's move. As described in the game tree, the response depended on how the internal accountability game between the ruler and the selectorate played out. At the beginning of the reform era, the dynamic of Vietnamese politics was similar to that of China, with the balance of power tilting towards a supreme leader – Le Duan. Duan was known to be a conservative follower of the Soviet Union's economic model and hesitated to carry out aggressive market reforms (T. Vu, 2016). However, his health deteriorated by the mid-1980s, and he died just months before the historic 6th Congress was convened. Le Duan's death changed the power balance within the VCP: while the "old guard" conservatives still maintained influence, the "reformist" faction of younger and more open leaders was gaining ground.

In the 6th Congress, Nguyen Van Linh, who was thrown out of the Politburo six years ago presumably by Le Duan himself, was elected as the new general secretary. Before being promoted to this position, Linh was famous as a market promoter during the time working in Ho Chi Minh City. The reformers were more lenient towards the population's demand for accountability. More importantly, in order to push through the market reforms, they needed to

use popular support as another channel of pressure on the conservatives. This explained why Linh was calling for more openness right after being elected (what was called *Cởi mở* [Being open] policy in Vietnamese) in a move that was considered similar to the *Glasnost* policy in the Soviet Union. The period 1986-89 was considered as the Vietnamese equivalence of the "Hundred Flowers" with many cultural products critical of the government and party policies being published. On an occasion, Linh even came to a national writers' association conference and encouraged them to "untie yourself" (Huy Duc, 2012b, p. 10). He also wrote a regular column titled "*Những việc cần làm ngay*" (Things must be done immediately) on the party's mouthpiece *Nhân dân* (People's Daily) urging the system to be more transparent, which dissatisfied some of his conservative comrades (Quang & Duong, 2015). Putting into the game matrix, the Vietnamese rulers' payoff perception changed (Table 2-4).

Specifically, the ruler's best scenario (1,2) was having greater accountability while the population kept low pressure. In this case, the regime could initiate the much-needed reform on their own initiative, while keeping the risk of mass unrest at an acceptable level. The VCP perceived that shifting to a market-oriented economy required a certain degree of transparency and accountability. Consequently, the regime emphasised its motto "*Lấy dân làm gốc*" (the people as the foundation of the country) and paid more attention to "listen to the voice from the grassroots" (Vietnamese Communist Party, 2006d, pp. 123-124).

The second-best scenario (2,4) for the ruler was to keep low accountability while the population did not put strong pressure. In this scenario, the regime had less risks of mass unrest and invested less in repression. However, this choice was not sustainable in the long run because it prevented the regime from implementing bolder market reforms and thus overcoming economic crises.

The ruler's third-best choice (3,1) was to be more accountable under pressure from the population. This would increase the risk of regime-threatening activities, as the regime might be seen as weak in response to the pressure from the population and could not control the reform agenda completely.

The regime's worst scenario (4,3) was to keep low accountability under the pressure from the population. This might lead to imminent risks of mass unrest, while it was also more costly for repressive actions as the population strictly preferred more accountability.

		Population	
		Strong pressure for Accountability	Low pressure for Accountability
Ruler	Reform	3;1	1;2
	Do not reform	4;3	2;4

Table 2-4: External accountability in reform Vietnam. Priority order: 1>2>3>4

In China, the political landscape in the late 1980s was different. Deng Xiaoping began warning about the risk of liberalisation in the early 1980s and considered himself among those who went "insistently" against this tendency (Deng, 1984, 1994). Regarding internal politics, although Deng previously warned against the danger of power consolidation into a few individuals, by the late 1980s he had become the paramount leader without holding formal positions either in the party or the state system.

Accordingly, his views were decisive in the CCP's approach in dealing with the population. Furthermore, it appeared that the relationship between the regime and the population in China was much more intense than in Vietnam. There was never a public gathering with more than 1,000 people in Vietnamese cities in the 1980s, while public protests in China drew huge turnouts. The string of protests in early 1989, which led to the Tiananmen Incident on June 4, had an estimation of more than one million protesters scattering over more than 100 Chinese cities (J.-H. Zhu & Rosen, 1993). Understandably, the perceived threat to regime survival was bigger among the Chinese ruling elites than their Vietnamese counterparts.

After the Tiananmen Incident, the hardliners concretised their positions and maintained their preference in keeping low accountability, because they considered a soft approach to popular demand would be fatal to the regime (D. Shambaugh, 1994). In the June 9 speech to the martial law units, Deng blamed the wavering in upholding "four cardinal principles"[4] for the bloody incident on the Tiananmen Square (Deng, 1989). The internal accountability game – with the outcome of a low-accountability equilibrium – made it difficult for any "reformist" faction to prevail as in the case of Vietnam.

Putting the above context into the game matrix (Table 2-5), the ruler's best-case scenario was to keep low accountability under low pressure from the population (1,3).

The ruler's second-best scenario (2,2) was when they carried out political reform under low pressure from the population. The ruler's third-best scenario (3,4) was to keep low

[4] These principles are upholding the socialist path, upholding the people's democratic dictatorship, upholding the leadership of the Chinese Communist Party, and upholding Mao Zedong Thought and Marxism–Leninism.

accountability under high pressure from the population. In this case, the regime had to spend more on repression but maintained their dominance over the population.

The ruler's worst scenario (4,1) was to be made accountable under high pressure from the population. This was the best scenario for the population, as they both held the regime accountable while being in the best position to initiate reforms.

		Population	
		Strong pressure for Accountability	Low pressure for Accountability
Ruler	Reform	4;1	2;2
	Do not reform	3;4	1;3

Table 2-5: External accountability in reform China. Priority order: 1>2>3>4

The population's payoff order

The market reforms had a huge impact on the population in both Vietnam and China. Although their earlier successes substantially improved their living standards, it widened inequality among different sections of the society, particularly between the citizenry and the "bureaucratic class" (Meisner, 1996). As the reforms stagnated in the late 1980s, social tensions inevitably increased. The availability of new ideas and information introduced during the early 1980s also contributed to the increasing demand for accountability from the population.

As such, the population's first and second preferences in both countries were similar to the previous stage which were having the regimes open up under either high pressure (preference 1) or low pressure (preference 2) from the population. However, the third and fourth preferences were different in each country depending on how the respective regimes responded to such demands.

In Vietnam, the preference of the VCP for political reform opened the space for the population to advance their demand. Consequently, the population's third and fourth preferences were to put high pressure for accountability and having low pressure in the case of the regime's insistence on keeping the status quo, respectively. It is worth noting that pressuring for high accountability does not mean the population would have the ability to pose credible threats to the regime. Rather, it implies the level of willingness of the population to put forward their demand, without specifically targeting regime change.

In China, because the CCP was determined to keep low accountability, pushing for high accountability while the regime did not accept was the least desirable scenario (3,4). As shown in the CCP's brutal crackdown on the widespread demonstrations in June 1989, the cost for

this scenario was very high. Because of the possibility of repression, keeping low accountability when the regime maintained the status quo was the population's third preference.

Outcome

In Vietnam, the regime strictly preferred reform while the population's dominant strategy was to push for high accountability. As such, the most likely outcome was (3,1) in Table 2-4. In this scenario, the regime was at risk of mass unrest but had the opportunity to carry out the reform from a position of strength.

In China, the regime strictly preferred keeping low accountability while the population did not have a dominant strategy. However, given the regime's choice, the most likely outcome was (1,3) when the regime maintained the status quo under low pressure from the population.

The outcomes of the external accountability game in stage 3 show how the relationship between the regime and the population has diverged in Vietnam and China. However, this game alone cannot explain why the payoff perception of the two regimes changed in the late 1980s. In order to solve this puzzle, we need to look at factors that influence the regimes' decisions, which were their internal politics and external pressure.

Game 2: The internal game between the ruler and the selectorate

Game 2 determines the characteristics of internal accountability between the ruler and the selectorate. In this game, the ruler can either push for a more personalised or maintain a collective power-sharing regime (which makes them more accountable to the selectorate). The selectorate can choose either to demand for accountability or to accept the ruler's power personalisation. As noted earlier, in the context of Vietnamese and Chinese politics, the ruler is the communist party's general secretary while the selectorate is the party's central committee.

Both countries shared rather similar political dynamics in the first stage of market reform (late 1970s – early 1980s), with a supreme leader who could dictate his authority over the selectorate (Le Duan in the case of Vietnam and Deng Xiaoping in the case of China). However, the death of Le Duan, the conservative leader who was against economic liberalisation, changed the balance of power and gave the reformist faction the opportunities to carry out their reform initiatives (Esterline, 1987; Irvin, 1995). The lack of a paramount leader

shaped the internal accountability game in Vietnam differently from China, where Deng Xiaoping wielded his influence in the system even after he formally resigned from all official positions. For the sake of simplicity, the games analysed below start in Stage 3, Authoritarian consolidation in Vietnam and China.

Vietnam

After the death of Le Duan, the political structure of the Vietnamese state turned into a "diffused troika" with power shared among the general secretary of VCP, the prime minister, and the president, not to mention the increasing power of the chairman/chairwoman of the National Assembly (Dang Phong & Beresford, 1998). In addition, the reform policy itself was driven by various internal players, from pro-market reformists and state sector leaders to southern liberals (Fforde & Vylder, 1996), making it impossible for any individual leader to consolidate power in the process.

During the 1990s, the regime continued the process of "de-Stalinisation", when the Communist Party gradually ceded its control over the policy making process and executive roles to the government and the National Assembly. Within the Party itself, the Central Committee (CC) effectively became the most powerful organ, although the Politburo maintained its executive role. This was shown in the short existence of the VCP's Standing Politburo, which was later disbanded by the CC, and the earlier than expected departure of General Secretary Le Kha Phieu in 2001 (Abuza, 2002). When first elected as the general secretary in 1986, Nguyen Van Linh told the Central Committee that whilst previous general sectaries were a head taller than other Politburo members, "for now we are just a hair different" (Huy Duc, 2012b, p. 10). In 2012, when the Politburo attempted to discipline a high-profile member – presumably the then Prime Minister Nguyen Tan Dung – the Central Committee refused to give consent (VOA, 2012).

The new arrangement allowed the Vietnamese selectorate to have strong bargaining power vis-à-vis the ruler. Consequently, they were more able to push forward their preferred policy with smaller risks of being punished. Translating this arrangement into the game theoretic model, we have the matrix in Table 2-6.

The ruler's first preference (1,4) was to consolidate more power, while the selectorate did not put much pressure for higher accountability. In this scenario, the regime would tilt towards a more personalized system. However, this outcome might not be possible due to the selectorate's dominant strategy of choosing high pressure for accountability.

Vietnam		Selectorate	
		High pressure for accountability	Low pressure for accountability
Ruler	Allow high accountability	3;1	2;3
	Personalising power	4;2	1;4

Table 2-6: Payoff perception in internal accountability game in reform Vietnam. Priority order: 1>2>3>4

The second preference (2,3) for the ruler was to allow high accountability although the selectorate did not put pressure for it. The third preference (3,1) was accepting high accountability under the pressure of the selectorate. In this case, the ruler was constrained by the selectorate, and the regime moved towards a collective leadership system. The political development in Vietnam since 1986 followed this arrangement.

Their worst scenario (4,2) was trying to maintain low accountability while the selectorate kept high pressure. In this scenario, the ruler risked being overthrown. There are two historical examples for this case. In 2001, the then General Secretary Le Kha Phieu was not considered for re-election and forced to retire from both the Politburo and the Central Committee. Phieu was seen as a compromise candidate in 1997 but grew too ambitious, to the point that he intended to "unify" the general secretary post and the presidency, spied on his Politburo counterparts, and abolished the Advisory Committee which were the significant advisers to the Central Committee in choosing the leadership (Abuza, 2002; Koh, 2001). Prime Minister Nguyen Tan Dung suffered the similar fate before the 12th Congress, when he was not considered for the general secretary post as the Central Committee worried about his overwhelming power within the system (Vuving, 2017).

The selectorate's dominant strategy was to push for high accountability. This was thanks to the collective leadership system that prevented the ruler from arbitrarily accumulating power at the expense of his ruling coalition. Given the power of the selectorate (the Central Committee), the risk of challenging the ruler was reasonably small. That explains the surprisingly high level of intra-party democracy in Vietnam comparing to China (Malesky, Abrami, et al., 2011), illustrated by the occasions when the CC went against the decisions of the Politburo and the general secretaries (K. G. Nguyen & Nguyen, 2022, p. 82).

Certainly, this mechanism only worked if the push for high accountability stayed within the party affairs, rather than applied for the whole society. The expulsion of Politburo member Tran Xuan Bach, who was accused of supporting political liberalisation and pluralism, is an example for those who cross the line (Thayer, 2010). Given the selectorate's choice, the ruler's

choice was to accept high accountability and had his power constrained within the collective rule. Indeed, the collective leadership mechanism has been largely maintained during *Đổi mới*, despite several consolidation efforts from ambitious leaders (Abrami et al., 2013). Contrasting to the VCP's full monopoly of power over the society, Vietnam's internal politics has become more and more competitive from the grassroots level to the top post.

One example is the dynamic of Vietnam's leadership succession. The institutionalisation of succession was not very important prior to the 8th Congress (1997), as the top positions had previously been occupied by the independence hero Ho Chi Minh, the supreme leader during the Vietnam War Le Duan, and revolutionary leaders Nguyen Van Linh and Do Muoi, who were all powerful enough to arrange those top positions among themselves. However, the impact of party elders gradually subsided in the 1990s, particularly when the Advisory Committee was disbanded in 2001. There was no figure like Deng Xiaoping in Vietnam who enjoyed such paramount influence to determine the next generations of leadership.

As such, the Vietnamese selectorate has been able to exert their influence. Since 2000, key regulations on high-level party elections have been issued which significantly empowered the CC. In particular, the Decision 244–QD/TW introduced in 2014 formalized the procedure for high-level party elections. Decision 244 required the election of general secretary to have two candidates, who would be nominated by the outgoing CC and the new Politburo. The incoming CC retained the right to nominate other candidates. If there were more than two candidates running for the general secretary post, a preliminary vote would then be carried out in the new CC in order to choose the two most popular candidates (Vietnamese Communist Party, 2014).

The power of the CC is reflected in two main characteristics of the VCP's succession politics. First, the selection of leaders in Vietnamese politics are usually the outcome of hard-won bargains and competitions among the ruling elites rather than an imposition from the top. Indeed, if we were to look at various VCP congresses after *Đổi mới*, succession politics in Vietnam is no less remarkable than those in a vibrant electoral democracy. Zachary Abuza detailed the political struggle before the 8th Party Congress, where all frontrunners were dismissed due to the lack of consensus (Abuza, 1998). The VCP had to wait for another year after the 8th Congress to choose the new leader. The chosen one – Le Kha Phieu – eventually failed to even secure a post in the next CC as he lost support from all sides (Koh, 2001).

The compromise among ruling elites also led to the selection of Nong Duc Manh in the next two congresses (in 2001 and 2006). Malesky, Schuler, and Tran illustrated the race in the 11th Congress between the then NA Chairman Nguyen Phu Trong and the head of VCP's Central Economics Commission Truong Tan Sang (Malesky, Schuler, & Tran, 2011), while Vuving described how a strong candidate like Ho Duc Viet fell out of favour (Vuving, 2013). The 2016 congress witnessed one of the most intense competitions between the outgoing PM Nguyen Tan Dung and incumbent party chief Nguyen Phu Trong (Vuving, 2017).

Second, the power of the CC guarantee smooth exits from power. Outgoing general secretaries respect the norms of term limits and generally abstain from meddling in party affairs after their retirement. Since 1989, Vietnam has had five different party's general secretaries, and only two of them managed to get re-elected (Nong Duc Manh and Nguyen Phu Trong).

China

After the Mao era, the CCP under Deng Xiaoping initiated the *Reform and Opening up* in 1978. The policy was instantly successful in terms of economic achievement (McMillan & Naughton, 1992). However, despite efforts to restore the norms of "democratic centralism" and Deng Xiaoping's own effort to tackle over-centralisation, calls for reforms in intra-party democracy failed to materialise (G. White, 1993). The Central Committee, which was seen as the most powerful institution in other communist regimes, was weak and submissive to top party leaders (Shirk, 1993). The political system in China remained heavily centralised, with the Politburo Standing Committee (PBSC) as the most powerful policy making organ (Unger, 2016). In 1993, Deng's successor, Jiang Zemin was elected state president, effectively unifying the three most important posts in Chinese politics (CCP general secretary, chairman of the Central Military Commission, and state president). During the 1990s and 2000s, the process of institutionalisation was fostered, leading analysts to consider the China model as "resilient" (Nathan, 2003). This was proved in the smooth leadership transition of the fourth leadership generation in 2002, and to a lesser extent, the fifth leadership generation in 2012.

However, during the sixth transition, power has become increasingly concentrated in President Xi Jinping (Economy, 2018; Shirk, 2018). His power consolidation, while to some extent might be attributed to personal ambition, coincided with the need for re-centralisation and the availability of a supporting idea (the idea of "open complex giant systems - OCGS") (S. Lee, 2017).

The centralisation of power significantly weakened the collective leadership arrangement and the role of the selectotate. Although the Central Committee was formally authorized to select the CCP leadership, Deng Xiaoping handpicked three out of four party chiefs after 1978 (Hu Yaobang, Zhao Ziyang, and Jiang Zemin). Hu Jintao was also personally endorsed by Deng (Ewing, 2003). The influence of Party elders over the leadership selection further undermined the Central Committee. As such, China's internal politics was characterized by a strong leader and a weak selectorate. Translating into the game matrix, the payoff perception of the ruler and selectorate is illustrated in Table 2-7.

China		Selectorate	
		High pressure for accountability	Low pressure for accountability
Ruler	Accept high accountability	4;2	3;1
	Personalising power	2;4	1;3

Table 2-7: Payoff perception in internal accountability game in reform China. Priority order: 1>2>3>4

The best case for the ruler (1,3) was to maintain low accountability while the selectorate did not pressure for accountability. This was the third-best scenario for the selectorate: although they had their power restricted, a low accountability system allowed the regime to deal with the risk from the population because it could provide a more unified and decisive response to mass pressure. Having low pressure also meant that the position of the selectorate would be secured.

The second-best case (2,4) for the ruler was to maintain low accountability while the selectorate pushed for high accountability. In this case, the ruler could keep a centralised rule (at a cost) while it was very costly for the selectorate to pressure for change. As analysed above, the political development in China after the Tiananmen Incident was heavily centralised with a strong leader and a weak selectorate. Therefore, any challenge against the ruler would be very risky and the cost of failure was high.

The third-best scenario (3,1) for the ruler was accepting high accountability whilst the selectorate did not pressure. The internal reform (towards a higher accountability system) increased the risk of mass uprisings because the population might see it as the signal of weakness. In this case, the selectorate had their best scenario because they could hold the ruler accountable without a high cost.

The worst scenario (4,2) for the ruler was to accept high accountability under the pressure of the selectorate. In this case, the ruler faced the risk of internal coups as well as mass uprisings (with the rationale similar to the previous scenario – high internal accountability

would lead to high external accountability). For the selectorate, they would be dominant over the ruler, but with substantial risks. If mass uprisings occurred and the regime was overthrown, they would also lose power.

From Table 2-7, it can be seen that both the ruler and the selectorate in China had dominant strategies, of which the former strictly preferred personalising power while the latter strictly preferred keeping low pressure. This is because the Chinese political system – particularly after the Tiananmen Incident – emphasised political stability which required a strongman leadership. The demand for order triumphed over the demand for intra-party democracy. In several occasions, Chinese leaders criticised the Vietnamese-style collective leadership as being too radical (Abrami et al., 2013). Other factors, such as the availability of a theory that promoted the centralisation of power (OCGS), also played a part.

Game 3: The foreign pressure game

One of the major drivers of democratisation is the pressure from the liberal West (Huntington, 1993; Levitsky & Way, 2010). Since the "third wave of democratisation", there have been active efforts to democratise the authoritarian rules in China and Vietnam. For example, the inclusion of Beijing and Hanoi to the global liberal order, such as the WTO membership and various international institutions, reflects the belief that deeper integration will lead to faster democratisation. The West can also use economic sanctions as the tool to pressure authoritarian regimes on specific issues, similar to what they did to the Vietnamese regime after the 1978 Cambodian invasion. However, the West's democratisation strategy depends on specific circumstances: the sanctions against China after the Tiananmen Incident only lasted for a few years (J. Mann, 1991) and did not have sufficient pressure to push Beijing toward a more open democratic path (Melinda Liu, 2019).

To put these contexts into a game's language, foreign powers might choose to put either strong or weak pressure. They will be criticised by their own domestic public for having weak pressure, while strong pressure might be harmful to their relations with authoritarian regimes, incurring economic losses. This is obviously a very simplified illustration of the overall dynamics of this game, because the pressure depends on a wide range of other factors, including the particularity of cases, domestic politics, international context, and so on. However, the aim of this game is to observe the general tendency of the regimes when dealing with foreign

pressures: in the case of Vietnam, the threats of punishment might be seen as credible, while it is not so in the case of China.

Vietnam

As a middle power with high dependence on trade, Hanoi is more susceptible to foreign pressure. The economic malaise in the pre-reform period, though mainly due to the regime's mismanagement, was partly caused by international sanctions and isolation as a result of the Cambodian invasion. When the VCP announced *Đổi mới* in 1986, exports were considered as one of the three most important economic programs in its five-year plan (1986-1991) (Vietnamese Communist Party, 1986b). As the aid money from its main donor Soviet Union was greatly reduced in the late 1980s and totally vanished in the early 1990s (Vo, 1990), Vietnam had to integrate itself into the liberal world order. In order to do so, the regime made a series of significant concessions, including its withdrawal from Cambodia in 1989, its policy reforms in the normalisation process with the United States (Manyin, 2005) as well as in the process of joining international institutions such as WTO, Asia-Pacific Economic Cooperation (APEC), and ASEAN.

As the economy continued to grow, the country became more and more trade dependent. Vietnam's trade volume reached 188 per cent of GDP in 2018 from just 23 per cent in 1986 (World Bank, 2019b), among the highest in the world, which showed a remarkable degree of economic openness. Given this, the Vietnamese regime has to pay more attention to external demand. In the words of Levitsky and Way (2010), the linkage between Vietnam and the West is high and the latter has a decent level of leverage on the former[5]. Translating into the game matrix, the foreign pressure game of Vietnam during the reform era can be described in Table 2-8. The regime can choose either to reform – or to give specific political concessions to external demand – or to reject the demand for reform. Foreign powers –the democratic West – can either put strong or weak pressure for accountability.

Vietnam		Foreign power	
		Strong pressure for accountability	Weak pressure for accountability
Regime	Reform	3;2	2;1
	Do not reform	4; 3	1;4

Table 2-8: Foreign pressure game in reform Vietnam.

[5] (Western) leverage, as defined by Levitsky and Way (2010), is a regime's vulnerability to external democratising pressure (p. 40), while linkage is the "density of ties" and "cross-border flow" between a country and the West (p. 43).

The best case (1,4) for the regime is to reject reform demand while foreign powers put weak pressure. This implies Hanoi can maintain economic benefits with the West without having to accept any demands for accountability. As analysed above, this is unlikely, given the West's high leverage in negotiating with the regime.

The second-best choice (2,1) for the regime is reforming under weak pressure from foreign influence. In this scenario, the regime has more room to set the agenda of its reform with little external pressure. As adopting higher accountability might imply higher risks of mass uprisings, this scenario is less preferred to the first preference. For the West, this is the best scenario because the regime democratises without strong intervention.

The third-best case (3,2) is when the regime is put under high pressure and consequently gives in. This makes the regime look weak to its domestic audience but helps it avoid economic consequences. One vivid example is when the Vietnamese government decided to unofficially block access to Facebook in early 2010s, in an attempt to build its own social media ecology similar to China (Gray, 2015). Under pressure from the US and the European Union, however, this effort failed. By 2019, Vietnam had 58 million Facebook users and 68 million Google accounts, which were equal to two-thirds of the country's population (Reuters, 2019b). A more recent example is the regime's acceptance of signing the International Labour Organisation's Convention 87 as a condition of signing the European Union-Vietnam Free Trade Agreement (EVFTA) (European Union, 2018). Convention 87 in effect allowed the establishment of independent associations in Vietnam, which has not been possible since the VCP came into power. This is the second-best case for the West because some trade-offs are needed in exchange for the regime's compliance.

The least preferred choice for the regime is (4,3), when it keeps low accountability under strong pressure from foreign powers. This will incur further sanctions and isolation, pushing the regime into spiralling crises. Performance-based legitimacy can hardly be achieved in this circumstance, forcing the regime to become increasingly dependent on repression for survival. As a result, the regime will either face the risk of internal coups (when power is concentrated into repressive forces) or mass uprisings (when the tension with the population increases with deteriorating economic conditions). This scenario happened for Vietnam after the invasion of Cambodia in 1978, with severe international sanctions crippling its economy before Hanoi started *Đổi mới* and withdrew its soldiers from Cambodia in the late 1980s. For

democratic powers, although they cannot pressure authoritarian regimes to change, they will not lose domestic audience because at least they stick to the "moral compass".

China

In China, the nature of the game is different given its status as a global power. With its vast economic resources and domestic market, the regime is not vulnerable to external threats of sanctions and isolation. Instead, because of its economic status, enforcing sanction on China would be similarly costly to the West. This was seen in the West's short-lived sanction of China for the Tiananmen Incident, which lasted for only three years (D. Shambaugh, 1994). As Yitan Li and Drury (2004) point out in the case of the US threat of revoking China's most-favoured nations status in the 1990s, the attempts to coerce China into improving human rights improvements only led to increasing hostility.

Putting the context into the game matrix (Table 2-9), the best scenario for the Chinese regime (1,3) is to reject demands when foreign powers put little pressure on it. For the West, it is the second worst case, as their inaction would be seen as a failure in the eye of the domestic public. However, democratic powers are able to maintain economic links with China and preserve economic gains from it.

The second-best choice of the regime (2,4) is to maintain low accountability despite having strong foreign pressure. Its own economic size and bargaining power allow the regime to endure sanctions. In addition, strong foreign pressure can also become the regime's useful propaganda to boost nationalism and retain their monopolistic power. That was the case after the Tiananmen Incident, when Beijing was defiant in defending its actions and accusing the US of "unwarranted interference in its domestic affairs" as well as warning of "deleterious consequences to the Sino-American relationship" (A. U.-J. Ang & Peksen, 2007, p. 135). This is the worst scenario for foreign powers, as they have to pay the high cost for high pressure, while unable to make a more favourable outcome happen.

China		Foreign Pressure	
		Strong pressure for accountability	Weak pressure for accountability
Regime	Reform	4;2	3;1
	Do not reform	2; 4	1;3

Table 2-9: Foreign pressure game in reform China.

As analysed in Game 1, the Tiananmen Incident made Beijing see any democratisation-linked political reforms as harmful to the regime's existence and leading the country to chaos

(Nathan, 2001; David Shambaugh, 1996). As such, all choices that involve political reforms would be undesirable. Contrarily, these will be most preferred by the West.

The regime's second worst choice (3,1) is to reform under weak foreign pressure, while reforming under strong foreign pressure (4,2) would be the worst choice. Given the Beijing's dominant strategy is to reject any demands for political reforms, the West's rational choice would be having weak pressure and thus the outcome of the game will be (1;3).

The nested game and its implications

Although China and Vietnam possess common characteristics in culture, revolutionary origin, ideological roots, and economic development (Abrami et al., 2013), political accountability has taken different paths in the two countries after the market reforms in the 1980s. Applying the nested game framework, I argue this is the result of the different outcomes in the three games played in the two countries over the reform era that define the characteristics of accountability in their respective rules: external accountability game (1), internal accountability game (2), and foreign pressure game (3). For both regimes Game 1 is the main arena with the most desired outcome is to keep low accountability, meaning that they would not face pressure from the population. Game 1 is potentially affected by the outcomes of Game 2 and Game 3. While Game 2 shapes the dynamics of internal politics within the regimes, Game 3 also relates to external accountability as both players (the regimes and the West) vie for opposing outcomes (the regimes prefer keeping low accountability while foreign players push for higher accountability). Borrowing from the design of Jesse, Heo, and DeRouen (2002, p. 413) for the South Korean democratisation model, the nested game of accountability in Vietnam and China can be simplified as follows:

$$PO = kPO(1) + lPO(2) + (1-k-l)PO(3)$$

Where PO equals the total payoff to the regime, PO (1) the payoff in the external accountability game, PO (2) the payoff in the internal accountability game, and PO (3) the payoff in the foreign pressure game. The parameters k and l represent the preference that the regime puts on each game and sum to one.

Each game provides different expected payoffs, while the regimes have differentiated priorities on the games' outcomes. As such, in order to optimise the total PO, the regimes might have sub-optimal outcomes in single games.

In the case of Vietnam and China during their respective reform eras, this is reflected in the external accountability game: while the former tends to be more accommodating to popular demand (having higher external accountability), the latter appears to be insistent in keeping low external accountability. Although all authoritarian regimes prefer keeping low external accountability, their choices are affected by internal politics as well as their position regarding foreign pressure.

In the case of Vietnam, the regime's choice appears to be sub-optimal because it faces the risk of regime change. This is because high accountability is associated with democratisation: the more political rights the population has to hold the government accountable, the bigger is their chance in pressing for change. Although accountability might serve as a "safety valve" to reduce public pressure, it is hardly possible to find a threshold at which the level of accountability is "safe" for the regime. Most non-violent democratisation processes, such as the Polish Solidarity movement, take hold gradually and when the rulers decide to take actions, it is often too late. This explains why the Vietnamese and Chinese communist parties are so concerned with "peaceful evolutions".

However, the VCP's choice is justified if the outcomes of the internal and foreign pressure games are considered. As a highly trade-dependent middle power, Vietnam's economic prosperity – and thus the regime's performance-based legitimacy – relies on its relationship with the West, particularly after its main patron Soviet Union collapsed in 1991. Consequently, Hanoi needs to take foreign pressure seriously and has to weigh the West's stance in implementing their domestic policy. In addition, as a result of a more balanced ruling coalition in the 1980s, Vietnam's internal politics has become more democratic with the principle of collective leadership being largely upheld. On the one hand, this helped cement the selectorate's position in the VCP's policy making process. On the other hand, this indirectly pushed the regime's policy preference towards addressing popular demand (Malesky, Abrami, et al., 2011). The outcomes of these games changed the VCP's payoff order in Game 1 and put it towards a high-accountability equilibrium.

China adopts a different path. As a global power, Beijing tends to be less affected by foreign pressure. In some cases, strong pressures can even be counter-productive, as the regime resorts to aggressive reactions as a defensive measure. This scenario happened after the Tiananmen Incident, as the 1989 event amplified the fears among the Chinese leadership about foreign-backed uprisings (D. Shambaugh, 1994). The 1989 incident also acted as a "critical

juncture" which shaped the CCP's emphasis on maintaining stability *(weiwen*). In addition, as a result of the tendency towards personalisation as analysed in Game 2, there is less room for any "reformist" faction within the Chinese ruling coalition to challenge the conservative position. As such, keeping low external accountability is the priority of Beijing which puts it towards a low-accountability equilibrium.

The above analysis is undoubtedly simplified and does not consider specific cases or incidents. For example, keeping low external accountability does not mean that the CCP would not give any concession at all to the population. For the past few decades, the CCP has implemented a series of social and political reforms that have given limited rights to its citizens (Fewsmith, 2013). On the same vein, although Vietnam tends to be more accommodating to the West's demands, it categorically rejects demands that could directly threaten the VCP's monopoly of power. Instead, the nested game analysis aims to explain the general tendency that each regime has taken during the course of their development. This helps clarify the logic of their decision-making process and the logic behind the configuration of state capacity which will be addressed in the next three chapters.

Chapter 3 - Political Accountability and Extractive capacity in Vietnam and China

Approaching from a historical institutionalist approach, this chapter aims to examine the dynamic interaction between accountability and extractive capacity in Vietnam and China since the onset of their market reforms. In Vietnam, political changes after *Đổi mới* allowed the reformist faction to adopt a reform strategy that has become increasingly dependent on the non-state sector and direct taxation for fiscal revenue. This change, in turn, had a positive feedback effect on the regime's behaviour: as non-state taxation became the main source of income, the state was pressured to be more responsive to popular demand. In contrast, the Tiananmen Incident and its political consequences concretised a conservative approach in preserving state dominance in China during the *Reform and Opening up*. As the regime was provided with a stable fiscal revenue from the state sector, Beijing was allowed to maintain low accountability. However, this situation resulted in what C. Zhang (2017) calls a two-edge problem of growth and representation dilemma: to foster further economic growth the regime needs to tax more and thus be more representative, yet doing so will create an undesirable liberalising pressure.

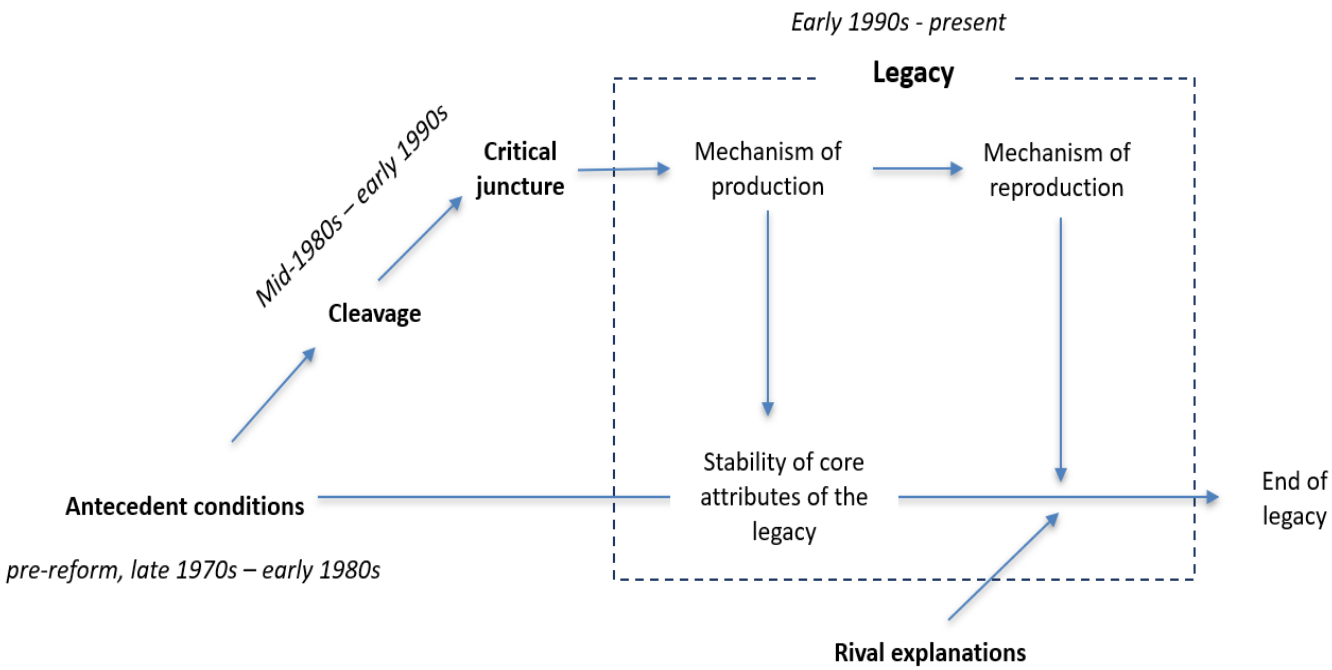


Figure 3-1: Building blocks of the critical juncture framework for the case of Vietnam and China. Note: adapt from Collier and Collier (2002, p. 30)

This chapter analyses the development of political accountability and extractive capacity in Vietnam and China in three stages of regime development during the reform era (Figure 3-1). This chapter follows closely the critical juncture framework presented by Ruth Collier and Collier (2002, pp. 30-31), which includes the analysis of the antecedent conditions, the cleavage, and its legacy. While the two regimes shared relatively similar antecedent conditions, the Tiananmen Incident served as a contingent event (Mahoney, 2000, p. 153) that put China's political development on a vastly different trajectory vis-à-vis Vietnam's after the critical juncture.

Correspondingly, the analysis will be carried out in four steps. First, I examine the antecedent conditions in two countries before the critical juncture, with a particular attention to their fiscal situations. This section explains how the pre-reform fiscal systems in Vietnam and China were largely rent-based, therefore political accountability only played a minor role in the rulers' calculations for fiscal survival. This changed in the second stage of authoritarian crisis, where the cleavage created by the discrepancy between the market reforms and the socio-political constraints of the communist rule emerged. The changes in political accountability during this period had both immediate and long-term impacts on the extractive capacities of Vietnam and China.

Next, I examine the critical juncture's legacy on extractive capacity, namely, the development of a tax state in Vietnam and a quasi-tax state in China. To do so, I compare two factors that determine the nature of extractive capacity – the role of state-owned enterprises (SOEs) and the characteristics of the taxation system – in the two regimes. This section also explains how a political system with more diverse interests prevented Vietnam from adopting the Chinese model of state-led development. In a way, it examines how choices made during the critical juncture have created the increasing returns processes that self-generate path dependence in the two regimes (Pierson, 2000).

Fourth, I look at rival explanations on the development of the extractive capacity in Vietnam and China during the reform era which could challenge the explanatory role of political accountability. There are several narratives that could account for the variance of extractive capacity in the two countries. First, China might historically have low taxation capacity (Fukuyama, 2011; Sng & Moriguchi, 2014). Thus, a change in accountability during the critical juncture offers little meaningful explanation for the current characteristics of the two regimes' extraction practice. Second, huge differences in geographical and demographical characteristics may account for the divergence of extractive capacity. As argued by A.

Woodside (1998), size matters enormously in making comparisons between China and Vietnam. Imposing and collecting taxes over the vast area with diverse population in China are arguably much more difficult than in Vietnam. Third, as taxation depends on economic development, different economic characteristics might have an impact on state capacity. For example, higher level of informal sector production might make tax collection much more difficult. Fourth, a state's extractive capacity also depends on the strength of its administrative effectiveness: a strong, efficient tax agency will help collect more taxes than weaker ones.

Empirical evidence for the chapter's arguments is drawn from the regimes' selected documents on their taxation policies as well as statistical data when applicable.

Antecedent conditions: Extractive capacity before the market reform

The commanding heights

In the period before their respective reforms, Vietnam and China had endured one of the most turbulent times in their recent history.

The Vietnam War (1954-1975) ended with the North's famous victory. The communist government, however, faced monumental challenges when trying to rebuild the country. First, policymakers in Hanoi did not have the experience and expertise to govern a unified country in peacetime. Vietnam was in constant wars since declaring independence in 1945, and after the Geneva Convention in 1954, was divided into two rival regimes – the Southern government backed by the US, and the Northern government backed by the Soviet Union and China. It is unsurprising that the economic policy in the North during the war resembled Lenin's "war communism", which monopolized all industrial production, criminalized private ownership of the means of production, centralised and rationed goods distributions, and enforced compulsory mobilization of labour when necessary. The influence of Maoism, which came with an influx of Chinese aid, intensified the collectivism and state monopolization of the economy and society. While households business accounted for 72 per cent of the North's GDP in 1957, three years after the communist defeated the French, this share reduced sharply to just 10 per cent in 1965 (Tho, Duc, Chinh, & Quan, 2000, p. 112).

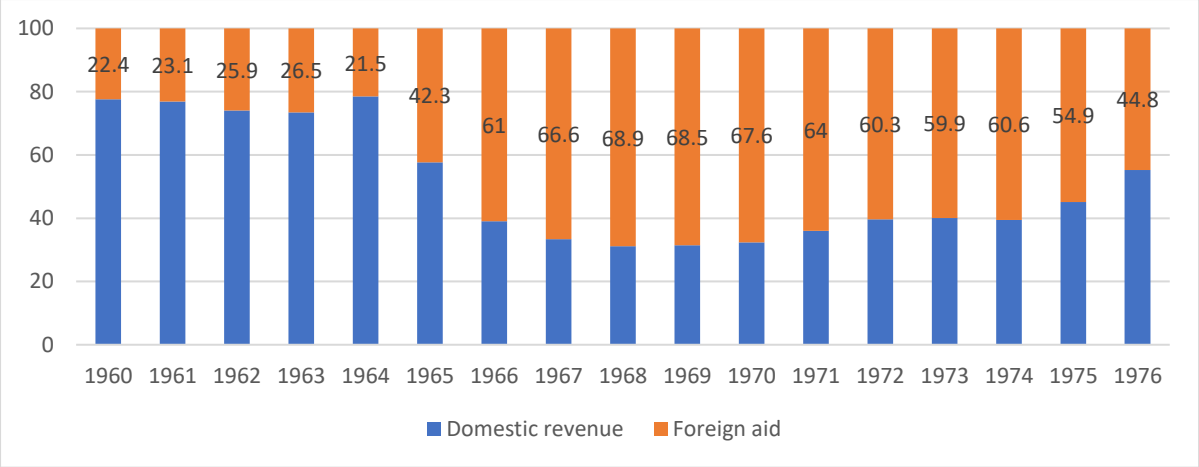


Table 3-1: Share of foreign aid in North Vietnam's budget revenue, 1960-75. Note: in percentage. Source*: (Vietnam General Statistical Office, 1984, p. 77)*

After the fall of Saigon, Hanoi inherited a vibrant Southern economy which was 1.2 times bigger than the North's and had a population of a similar size. Instead of adopting a gradual approach for incorporation, the government in Hanoi tried to impose the centralised model to the South at all costs (Vo, 1990, p. 46). This inevitably led to the collapse of the Southern economy by the end of the 1970, which was further exuberated by the mass exodus of more than 300,000 Chinese Vietnamese in 1978 – many of whom were business owners – as a result of the intensifying tensions with China (Dang Phong, 2009, p. 25).

Second, as a consequence of the Vietnam War, the Vietnamese economy was highly dependent on aid. Foreign aid contributed from 20 per cent to 60 per cent of GDP of the North during the 1955-75 period, while the US aid directly contributed 48 per cent of South Vietnam's state revenue in its last year of survival (Dacy, 1986, p. 219). The end of the war turned the US aid into the US blockade and sanction, while funding from the Communist Bloc also declined in real value (Dang Phong, 2009, p. 19).

These two problems – the lack of capacity to rule and of alternative resources to foreign aid – threw the country into a serious economic crisis in the late 1970s. Vietnam's GDP decreased two per cent and 1.4 per cent in 1979 and 1980 respectively, while the target the VCP set for the five-year plan in 1976 was 13 to 14 per cent growth (Dang Phong, 2009, p. 11). Despite being an agriculture-based economy, food shortages were widespread. Even for Hanoi and Ho Chi Minh City, food ration per person was reduced to just 40 per cent of the previous years in 1978 (from 13kg of rice per month to 4kg per month) as agricultural production stagnated (Dang Phong, 2009, p. 16).

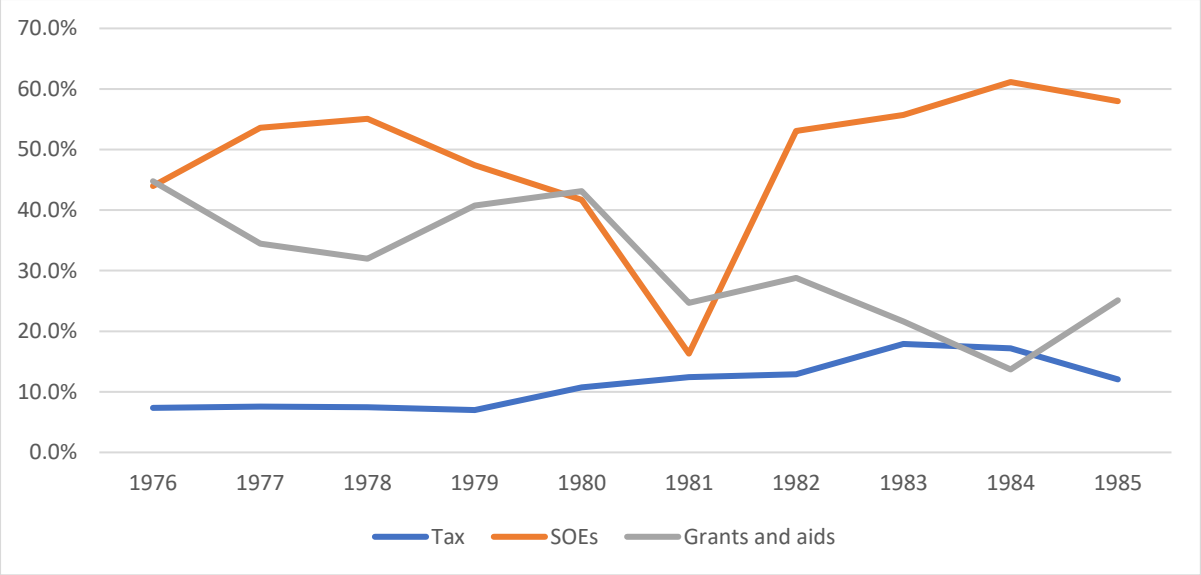


Figure 3-2: Vietnam's government sources of revenue, 1976-85. Source: *Vietnam General Statistical Office (1988).*

The fiscal situation deteriorated quickly after 1976 and never seemed to recover before the 6th Congress in 1986 (Figure 3-2). The increasing tensions with its wartime ally China – which eventually led to the third Indochina War in 1979 – deprived the country of a major foreign donor. Beijing had provided annual aid of around 300-400 million USD per year to Vietnam during the war (Dang Phong, 2009, p. 18), which accounted for roughly 20 per cent of the country's GDP in 1974. Because of the Cambodian invasion, the country also lost nearly 200 million USD in aid from the West (Vo, 1990, p. 102). Wars on both sides of the country consumed huge financial and labour resources.

The consequences were disastrous. The budget deficit in 1981 alone tripled that of the 1976-1980 period (Vietnamese Communist Party, 2006a). The regime had to depend on the state sector for fiscal resources, which was not a reliable solution given its inefficiency. In vain, Hanoi turned to monetary policy – issuing more money to compensate for fiscal deficit. This led to a huge jump of money in circulation, which in 1985 was 10 times more than the amount in 1980 (Vietnamese Communist Party, 2006c, p. 65). Out of desperation, the VCP had to mobilise the army into economic production at the 9th Plenum in 1985 (Vietnamese Communist Party, 2006c, p. 631). This was a prelude for an even more serious economic and financial crisis at the end of 1985.

In China, the death of Mao Zedong and the downfall of the Gang of Four ushered a new era. After years of chaos due to the disastrous policies of the Great Leap Forward and Cultural Revolution, the economy was in dire need of reform. The new leadership at first attempted to

rebuild institutions and recentralised the economy based on an ambitious Ten-Year Plan. However, the plan, which depended on unrealistic expectations of oil exploitation, collapsed by the end of 1978 (Naughton, 1995, pp. 71-74). On fiscal policy, the government raised revenue through profit remittances from SOEs; there were no personal or enterprise income taxes and, thus, no tax policy (Ma, 2000, p. 15).

The recentralisation of state-owned enterprises (SOEs), which were put under the control of local authorities during the Cultural Revolution, greatly strengthened the state's fiscal capacity. By 1978, China's budgetary revenue reached 35 per cent of its Gross National Product (GNP), the highest level it ever took (Naughton, 1995). However, the over-optimistic expectation of resource extraction and preference for large, expensive projects drained out its fiscal resources. Chen Yun – the mastermind of Deng's early economic reform – complained at a major economic conference that "if a large project like Baosteel is to be built in a year, it will consume our total capital investment for more than a year. If two or three are to be built at the same time, can the project not be completed, but other necessary funds would be squeezed out" (Chen Yun, 1979/2011, p. 153). The Third Plenum, which established Deng Xiaoping as the undisputed leader, decided to put forward an economic readjustment policy which shifted the focus on agriculture and light manufacturing industry. Almost immediately, the economic situation improved.

However, as a result of the changes in economic policies, including the substantial increase of purchase price in the agricultural products, rural tax exemptions, the introduction of the reward system, as well as the increasing financial power of the provinces and SOEs (The People's Daily, 1980), fiscal situation worsened year by year. Fiscal deficits ran over 10 billion RMB annually for three consecutive years. Fiscal revenue in 1981 decreased by nearly 10 per cent vis-à-vis 1979 number, despite the decent economic growth (Z. Zhao, 1982/2011, p. 159). The situation improved by 1985, when the central government finally achieved a balance of payments, thanks to intensive administrative methods (i.e. cutting down expenditures, combating the practice of extra-budgetary funds, and scaling down big projects) (Xiao, 2015). Nevertheless, the share of fiscal revenue in the GDP continued to decrease.

Taxation on the sidelines

As a result of these historical developments, taxation was not considered as a crucial component of the state budget in both countries before the market reforms. As the state practically owned the means of production, there was no need to tax because all surpluses from

enterprises, and to some extent households, were extracted and transferred to state budget (McKinnon, 1992, p. 99). Non-tax revenue, particularly from SOEs, was the main source of the Chinese government income (Ma, 2000, p. 20), while foreign aid played the key role in the Vietnamese budget revenue. This pattern was similar to other communist regimes in Eastern Europe, in which they generated an averaged revenue as much as 43 per cent of their GDP in 1989 (Campbell, 1996, p. 49). In a sense, the Vietnamese and Chinese economies before the reform era were more typical of a "domain state" (China) and "rentier state" (Vietnam) rather than a "tax state".

The sources of income affected the regimes' attitude towards taxation. The Chinese regime considered SOEs "not only the main bearers of national mandatory plans and national fiscal revenue, but also the backbone of the development of social productivity and technological progress" (Chinese Communist Party, 1985/2011, p. 150). Most of the initial reforms, in fact, focused on strengthening SOEs. However, during this period, the Chinese state faced a perpetual problem of declining fiscal revenue, which was partly due to the ineffectiveness of SOEs. As a result, Premier Zhao Ziyang in his speech at the National People's Congress in 1982 called for acceleration of the tax-for-profit scheme, which aimed to transform the revenue mechanism from profit extraction to tax extraction (Z. Zhao, 1982/2011, p. 176). In the State Council work report delivered to the 6th National People's Congress in 1984, Zhao emphasised the "significance of the reform of China's economic system by taxation instead of profit" and decided to implement a full replacement of profit by tax in SOEs (Z. Zhao, 1984/2011, p. 411).

Nevertheless, despite promoting the use of taxation, the scheme was aimed to extract profits at a "fairer" rate to motivate SOEs in production and in turn contributed more to the state budget, rather than to expand the tax base. Even under great fiscal constraints, Zhao proposed to raise funds by financial methods (e.g. by issuing bonds and making use of bank deposits), instead of taxation (Xiao, 2015). Since 1984, the State Council under Zhao Ziyang accelerated the tax reform by implementing resource taxes, value-added taxes, and several local taxes (Z. Zhao, 1984/2011). However, at this juncture, taxes and profits by urban SOEs alone accounted for more than 80 per cent of the country's fiscal revenue; the newly promoted taxes were unlikely to change that pattern.

In Vietnam, the country was at the "commanding height" after the Vietnam War, with their leaders focusing on nationalizing and collectivizing the economy. The dominant view of

Vietnamese leaders at this time – similar to China – was that the state had to control all economic resources and production. Taxation, as such, was not a priority. At the first VCP's National Congress after the Vietnam War, Le Duan, the country's supreme leader in the 1975 – 86 period, urged the regime to "find every method possible to create new accumulations from the domestic economy itself, mostly from accumulations of abundant labour, rich natural resources, and existing production capacity" (Le Duan, 1976/2004, p. 654). He also rejected a proposal to build a new tax system that allowed private businesses to operate and pay taxes, on the ground that Vietnam could not operate "like the capitalists" and SOEs were "the source of the abundant and dependable wealth of this socialist country" (Tin, 1995, p. 105). During this time, taxation policy was carried out not only to generate revenue, but also to serve political purposes. In the Central Secretariat's Instruction no 22-CT/TW issued on June 20, 1983, the VCP explicitly stated that taxation was used to "punish (asset) speculators and manage high incomers, impose state control over business activities, and accelerate socialist rectification with private businesses…in order to contribute to the class struggle, "who wins against who" between socialism and capitalism" (Vietnamese Communist Party, 2006b, pp. 291-293).

The cleavage and critical juncture

Historical settings

China entered the critical juncture with optimism, particularly after the success of earlier reform efforts (Naughton, 1995). However, the push for further reforms, most particularly by Premier Zhao Ziyang and General Secretary Hu Yaobang, faced serious challenges. After a period of rapid economic expansion, the economy was overheating, leading to rising inflation. While being kept at a moderate level from 1979 to 1984, inflation was consistently high and accelerated sharply during 1988 (Naughton, 1995, p. 247). With the stagnation in wage reforms, inflation slowed down the income growth of both urban and rural households. For the latter, real wage even decreased by five per cent in 1989 (Naughton, 1995, p. 253).

Along with this deteriorating situation, the population's implicit bargain with the regime – quiescence for economic prosperity – seemed to be broken as corruption was rampant while an unpopular new leadership was chosen in 1989 (Naughton, 1995, p. 269). The fruit of reforms was not equally shared, with cadres taking advantage of their positions to enrich themselves (Figure 3-3). A small survey in Yixian County, Shanxi Province found that cadres

and former cadres accounted for 43 per cent of "wealthy" rural households at the end of 1983 (Z. Yan, 1983). It was no surprise that the new situation bred popular dissatisfaction with the regime. During this period, armed resistance to tax collectors in the countryside and social unrest in urban areas broke out for the first time in the Deng era (Meisner, 1996, p. 355). A State Council's decision released in 1987 concerned that incidents of refusal to pay taxes, besieging tax authorities, and beating tax officials occurred more frequently than before (China's State Council, 1987). The wave of student protests in the late 1986 led to the ousting of Hu Yaobang (Y.-L. Chung, 2019), a widely popular reformist figure, which set the pretext for the Tiananmen crisis in 1989.

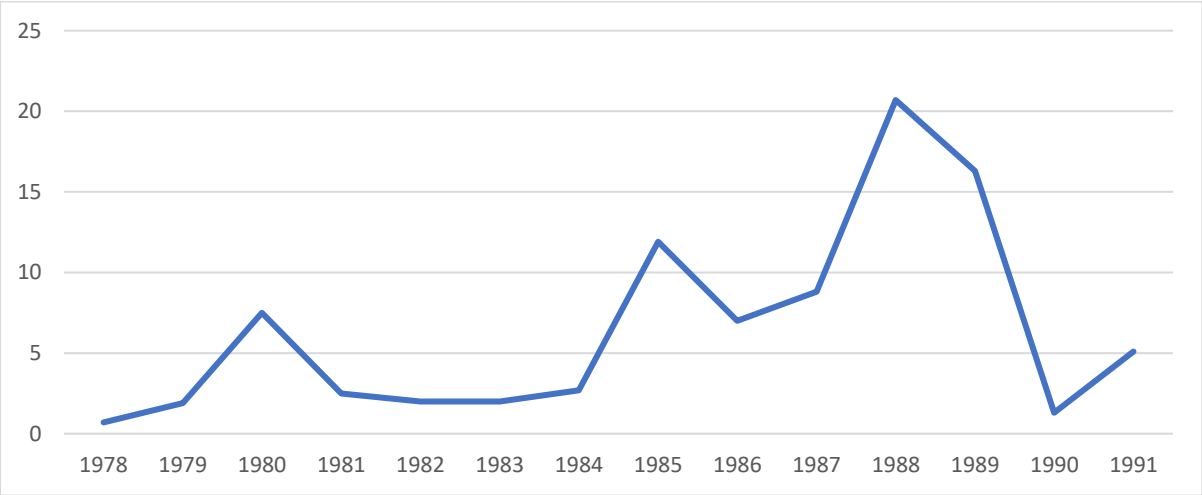


Figure 3-3: China's urban cost of living index, 1978-91. Note: percentage change. Source*: (McKinnon, 1993, p. 64).*

The Tiananmen Incident concretised the dominance of the conservative faction in the CCP, affirming political stability as the utmost priority. Maintaining stability meant the regime was less interested in pushing reforms in the non-state sector while emphasizing the flagship role of the state sector (Y. Huang, 2008).

During this period, the regime's fiscal power vis-à-vis economic growth declined. From 1978 to 1993, the ratio of China's total government revenue to the national income declined from 35 per cent to about 13 per cent (Ma, 1995, p. 208). This, however, did not result from economic slowdown, as the Chinese economy grew at one of the highest rates in the world during this period, but from the decentralisation of fiscal revenue as well as the decline of its main source of income (SOEs), when growing market competition eroded their monopoly profits (Christine, 1992, p. 192). In addition, extra-budgetary revenues, controlled by enterprises, doubled from 9.7 per cent GNP to 16.8 per cent, while profit remittances decreased

as much as 14 per cent of GNP in 1988 (Naughton, 1995, pp. 260-261). Despite this, revenue from the state sector still accounted for around 64 per cent of the total central government revenue in 1991 (Gang, 1994, p. 117), providing the Chinese state with a relatively stable source of income. Consequently, the main concerns of Chinese leaders were to recentralise fiscal revenue, improve the efficiency of SOEs, and diversify sources of incomes. Budget shortage was not the pressing problem – although the ratio of government revenue to GDP declined, the rapid expansion of the Chinese economy meant that the size of the budget actually increased (L.-Y. Zhang, 1999).

In contrast, the disastrous price-wage-currency reform in 1985 led the Vietnamese regime to the brink of collapse at the start of the critical juncture. The country experienced a period of hyper-inflation, with the Consumer Price Index (CPI) reaching nearly 800 per cent in 1986 (Figure 3-4).

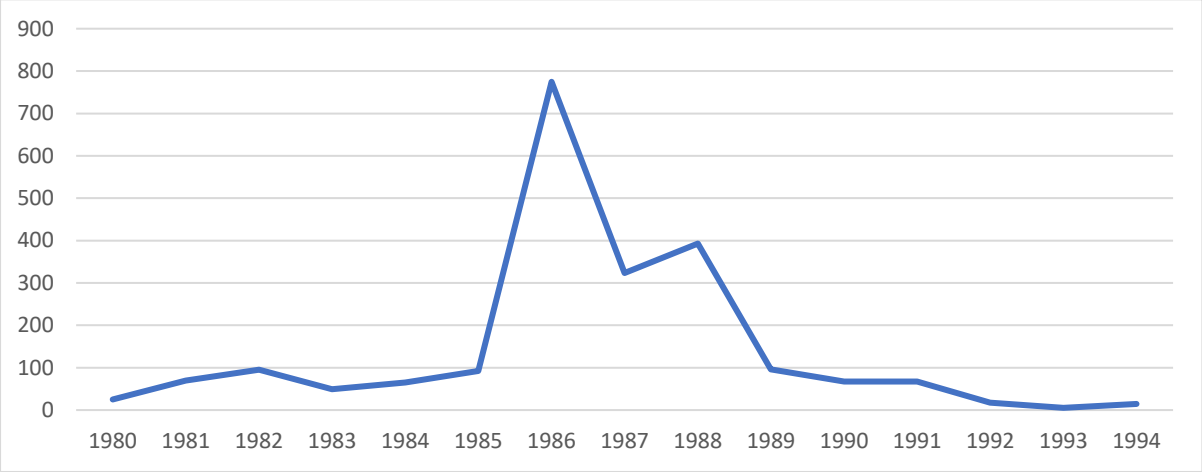


Figure 3-4: Consumer Price Index (CPI) in Vietnam, 1980-94. Note: percentage. Source: *Author's compilation from Vietnam's General Statistical Office documents.*

There was no room for further delays, and in the 6th Congress in 1986, the VCP announced *Đổi mới* (Renovation) policy which gradually abandoned the central planning system and moved towards a market-oriented economy. In 1987, the regime relaxed control over state-owned manufacturing factories by allowing them to decide their own production planning without direct instructions from the state. This came with the end of state's direct subsidies to SOEs (Vietnamese Communist Party, 2006e, p. 877). In 1988, the regime began phasing out collective farming – the backbone of a socialist economy – to give way to private farmers, as well as allowing small-scale private enterprises to flourish (Williams, 1992, p. 50). Agricultural production took an almost immediate turnaround, particularly after Resolution 10

of the Politburo which considered private households as an independent economic entity and decontrolled collectives. In 1989, farms produced not only enough food for the whole population of 66 million, but also started to export (Dang Phong, 2008, pp. 351-352). By the 7th Party Congress in 1991, Vietnam successfully made the first step towards a market economy. The majority of the Vietnamese reforms, as such, happened within a relatively short period of time.

During this period, budget shortage was among the regime's biggest concerns. By 1987, the state budget only had around 20 million USD in reserve, while in order to combat hyper-inflation and guarantee the state distribution system, the country would need 500 million USD (if carrying out the Soviet Union's advice) or five billion USD (if carrying out the World Bank's advice) (Huy Duc, 2012b, p. 79). Even printing money to compensate for budget deficit was not feasible, not only because of the risk of spiralling hyper-inflation, but also because the printing plants, ironically, stayed in the Soviet Union (Tho et al., 2000, p. 209). The main source of income – foreign aid – declined sharply during this period, and abruptly stopped in the early 1990s as the Soviet Union and the Eastern Bloc collapsed. Oil exploration was just discovered and not yet provided enough alternative revenue. By the end of the 1980s, Vietnamese leaders chose to quickly loosen state control over the economy as the primary solution: price controls were removed, state subsidies to SOEs ended, and the rationing distribution system of goods was dismantled by the early 1990 (Dang Phong, 2008).

In contrast, the Chinese "dual-track" approach, which allowed the existence of the state-fixed price and a market price, remained active until the late 1990s (Y. Qian, 2003, p. 324; W.-w. Zhang, 2000, p. 17). In a way, the Chinese approach to economic reform was "incremental" and "gradualist" (Gang, 1994), while the Vietnamese one resembled more of a shock therapy (Dang Phong, 2008).

As such, at the critical juncture, both Vietnam and China suffered from legitimacy crises but with different threats. While Beijing encountered a primarily political crisis, Hanoi was embroiled with an economic and fiscal crisis (see Figure 3-5). This shows in the budget conditions as well as the policy priorities in each regime, which will be examined in the following sections.

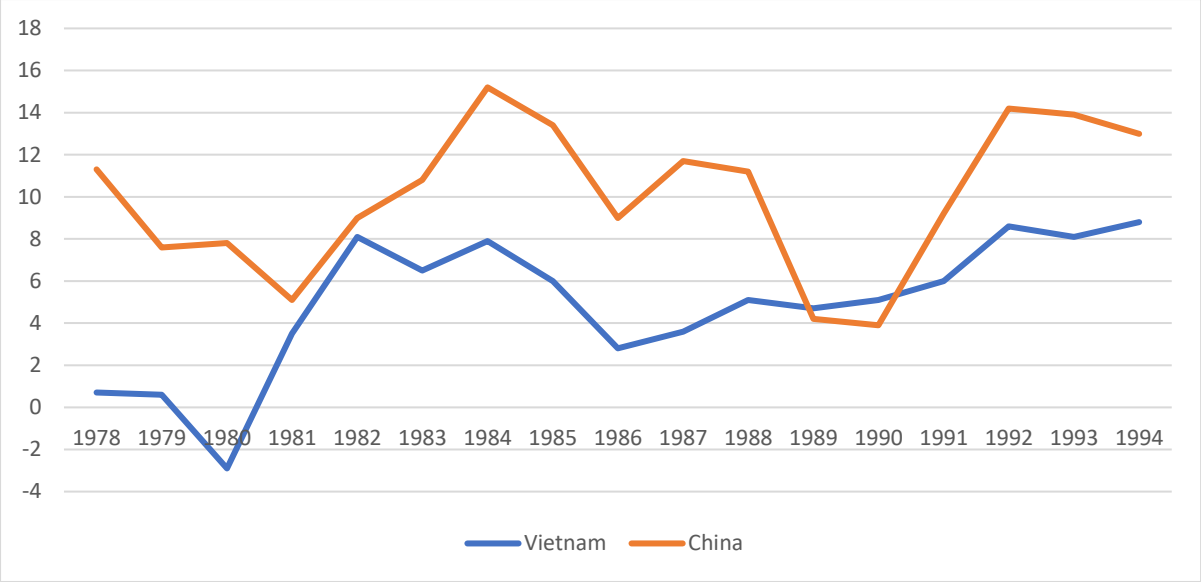


Figure 3-5: GDP growth rates in Vietnam and China, 1978-94. Note: percentage. Source*s: Author's compilation from World Bank, GSO, and Tho et al. (2000).*

Political accountability and the foundation of a tax state

By the late 1980s, as a result of market reforms, the governments in Vietnam and China had been increasingly dependent on taxation for budget revenue as the states gradually retreated from the economic sphere. The initial foundation for a tax state emerged. However, their approaches were different. Vietnam applied a "shock therapy" by liberalizing the economy in a short period of time, while China took a gradual approach and maintained a strong state presence in the economy. Consequently, while the former increasingly depended on the non-state sector for fiscal revenue, the latter's main source of income came from the state sector. The differences of political development in the two regimes can explain for this divergence.

In Vietnam, the "shock therapy" and the move towards market economy could not have happened if the VCP were still under the control of Le Duan by the 6th Congress. As analysed in Chapter 2, the death of Le Duan gave way to a more de facto collective leadership, under which different factions were able to promote competing economic policies. The decision to transform the centrally planned into a market-oriented economy was not unanimously supported but confronted by the conservative faction. Indeed, the advisory team responsible for drafting the political report for the 6th Congress consisted of strong supporters for the plan system. Truong Chinh, who was appointed as the caretaker of the VCP after Le Duan's death, replaced the whole team with some of the most reformist minds in Vietnam at that time and thus was able to set the tone of the 6th Congress as a "*Đổi mới*" Congress (Dang Phong, 2008,

pp. 297-298). In addition, the three most senior leaders at that time – Truong Chinh, Pham Van Dong, Le Duc Tho – retired at the 6th Congress, levelling the playing field for the succeeding generations (Huy Duc, 2012a). Reformist leaders – including General Secretary Nguyen Van Linh, Vice Prime Minister Vo Van Kiet, and Foreign Minister Nguyen Co Thach – were able to put forward the reform agenda. It is also noteworthy that, unlike China, SOEs was not considered as a reliable source of income and the regime had to increasingly depend on the non-state sector for revenue collection as foreign aid – their previous main income source – collapsed. This gave the leadership the opportunity to accelerate the "commercialisation" of the state-dominated economy where non-state actors played an increasingly important role (Nguyen Xuan Oanh, 2001).

In early 1986, the Politburo decided to replace profit remittance with taxation, allowing SOEs a much greater autonomy (Vietnamese Communist Party, 2006d, p. 69), but also meant that SOEs had to manage their business largely by themselves as the regime refused to subsidise loss-making enterprises. The monopoly of SOEs was officially ended after the 6th Congress later that year when the VCP allowed "multiple sectors" – i.e. private, households, joint-venture, and foreign – to operate in a state-led economy (Vietnamese Communist Party, 1986a). Accordingly, private businesses and households started to blossom in 1987, and the ratifications of a series of market-oriented laws, most notably the Enterprise Law, the Revenue Law, and the Profit Law, provided a solid foundation for a market-based economy. Foreign investment, which was allowed after 1987, rose rapidly and started contributing a large portion to the state budget.

At the 2nd plenum in 1991, the VCP considered that "taxation must be considered as the main source of the state budget" (Vietnamese Communist Party, 2006f). The immediate impact was the shift in the composition of budget revenue: from being dependent on foreign aid and SOEs, the state was increasingly dependent on the non-state sector (and later, natural resources). Contributions from the state sector to revenue dropped significantly from 64.2 per cent in the 1986 – 1990 period (Vietnam Ministry of Finance, 2021) to just 28 per cent in 1995 (Vietnam National Assembly, 1996). Due to the lagged effect, the changing external political accountability only had a long-term and less visible impact on the state's extractive capacity. This is the main focus of investigation in the next section. The sequence of impacts is illustrated in Figure 3-6.

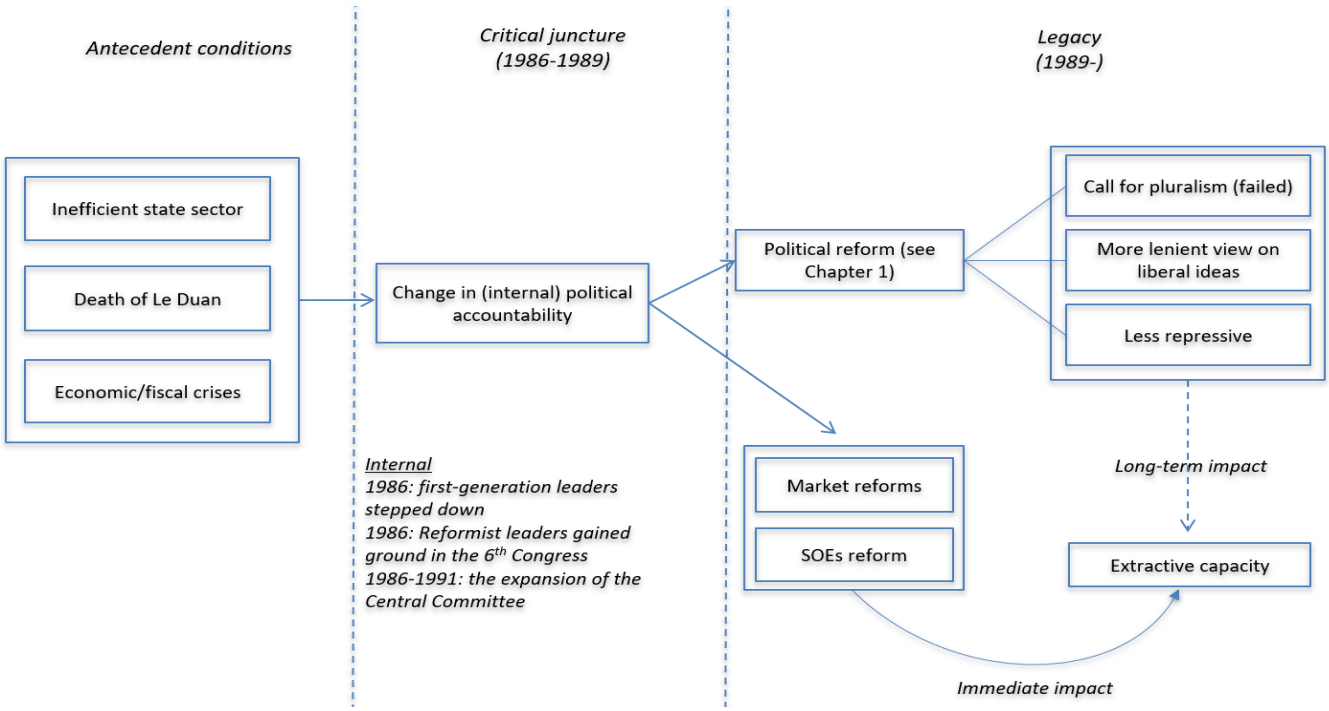


Figure 3-6: The sequence of political change and extractive capacity in Vietnam's critical juncture

In China, reformist leaders attempted to transform the socialist fiscal system into a more market-oriented one in which taxation played a key role. In addition to improving the state budget, they wanted to create a political constituency to support further reforms, along with peasant smallholders and wealthy non-agricultural households in rural areas and reform-minded intellectuals (Naughton, 1995, p. 190). However, the program failed to materialise as the state had to negotiate with individual SOEs on the amount of remitted revenue instead of having unified tax rates. By the end of 1988, it was replaced by a "contract responsibility system" which basically allowed SOEs to bargain with the state individually on profit remittance (W.-w. Zhang, 2000, p. 17).

The failure was political as much as economic: as a consequence of the worsening macro-economic situation in the late 1980s, the reformist faction was side-lined and eventually replaced after the Tiananmen Incident. The political centralisation afterward allowed the central government to carry out unpopular changes, particularly regarding fiscal policies (K. Chen, Hillman, & Gu, 2002; J. H. Chung, 1994) (Figure 3-7).

At the end of 1993, the central government announced a major reform plan which was to change the fiscal contract system into a tax-assignment system in 1994 (Ma, 1995, p. 209), which for the first time set the same income tax rates for all economic sectors. This reform

made the Chinese system resemble the Western one in many ways, which created a more competitive environment and reduced government intervention (Naughton, 2006, p. 431), particularly regarding the operation of SOEs. As a result, the Chinese government was successful in reversing the downward trends of the "two ratios" (state revenue to GDP and central revenue to total revenue) by 1999 (L.-Y. Zhang, 1999). However, the source of state revenue did not radically change. SOEs remained the main income source for the state, accounting for more than half of total government revenue by the late 1990s (Y. Qian, 2003, p. 329). Moreover, the reform turned the value-added tax (VAT) into the single most important source of income. Because VAT is indirect, and to some extent a "hidden tax" as the citizens usually fail to notice the burden, this also helped the regime defer the process of becoming a truly "tax state".

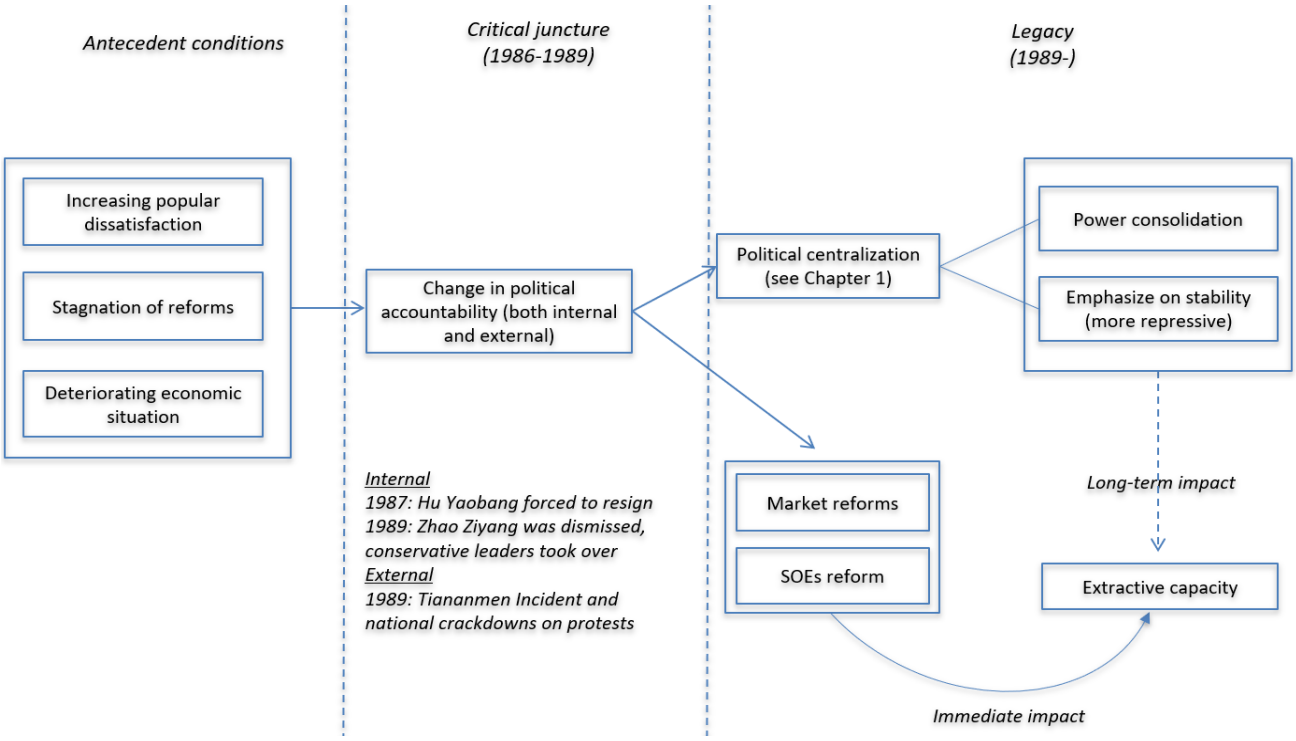


Figure 3-7: The sequence of political change and extractive capacity in China's critical juncture

In short, changes in political accountability during the critical juncture have strong impacts on the characteristics of extractive capacity in Vietnam and China.

In the short term, the dominance of the reformists allowed a market reform policy that was more tolerant towards the non-state sector in Vietnam. This helped Hanoi establish a more reliable non-state tax base, while the SOEs reforms greatly reduced the financial burden over the loss-making and inefficient state sector. In China, a more centralised rule after the Tiananmen Incident allowed the regime to regain control of fiscal resources from local

authorities and carried out significant tax reforms. Despite discovering alternative sources of income, the state budget still heavily depended on taxes from SOEs, thus retaining a key characteristic of a "domain" state (Ma, 2009). The post-Tiananmen leadership scaled down the development of the private sector while greatly expanded the state sector, which saw the 1990 – 1992 investment growth rate tripling that of the 1980s (Y. Huang, 2008, p. 23). These distinctive attributes have been reproduced and reinforced after the critical juncture, generating a path dependence for extractive capacity in Vietnam and China.

In the long run, political changes during this period also have a long-lasting impact over the two countries' extractive capacity. Although the political opening up in Vietnam was far from "democratisation" and was scaled back after the collapse of global communism in the early 1990s, it did shape the regime's more lenient approach to the population. This, in turn, allowed Hanoi to extract more from the non-state sector. In theory, this extraction pattern made the country be more politically accountable. The appearance of crude oil export in 1989 unexpectedly alleviated budget concerns for a while. However, drops in oil revenue in the mid-2000s again redirected Hanoi towards a traditional tax state model. In contrast, political centralisation gave Beijing the discretion to carry out their economic plans with little objection, including the 1993-94 fiscal reforms and the decision to keep a strong state presence in the economy. This helped stabilise China's fiscal situation – particularly at the central level – and China gradually established a unique fiscal regime that is a mixture of a quasi-tax, quasi-rent, and quasi-domain state.

The next section examines the symbiotic, evolving relationship between political accountability and extractive capacity in the two regimes after the critical juncture.

Political accountability and extractive capacity after the critical juncture

The previous section explains how political accountability defined the characteristics of extractive capacity in Vietnam and China in the critical juncture of the late 1980s. In the word of Collier and Collier (2002), the critical juncture shapes the "mechanism of production" for the principle of taxation and representation. However, the key questions are whether, how, and how long this principle is upheld when both regimes move to the stage of authoritarian consolidation after the critical juncture. In other words, I need to find out whether the "mechanism of reproduction" exists. To answer these questions, this section examines the characteristics of the extractive capacity in the two regimes from the 1990s to date.

Political accountability affects extractive capacity in two main ways. First, it determines the sources of fiscal revenue. A less accountable regime is more dependent on either resource rents or the state sector. This was the case for Vietnam (rentier state) and China (domain state) before the market reforms. Second, political accountability determines the characteristics of taxation policies. A less accountable regime is more likely to focus on indirect taxation, such as VAT, that is less visible to the population, which helps rulers avoid the principle of "no taxation without representation". Accordingly, the more politically accountable Vietnamese regime has an extractive capacity that is less dependent on the state sector and non-tax revenue and sees an increasing share of direct taxation in its budget. By contrast, the less politically accountable Chinese regime depends on the state sector and non-tax revenue for income generation, as well as having a substantial share of revenue coming from indirect taxation. The following section analyses the characteristics of fiscal revenue in the two countries to test this hypothesis.

The diverging role of SOEs and non-tax revenues

In China, the 1993-94 fiscal reforms marked the abandonment of the old socialist system that relied on state industrial enterprises but did not transform it into a tax state. China remained a strong "domain state" as taxes from SOEs or their shares in the mixed economy contributed significantly to the state budget.

In the 1997 State Council work report, Premier Li Peng claimed that revenue from SOEs accounted for more than 60 per cent of the state's fiscal revenue and employed two-thirds of urban workers (Chinese Communist Party, 2011a, p. 390). Although the amount decreased slightly in the 2000s, SOEs contributed almost the same amount of taxation as the private sector did despite being greatly reduced in number after a series of reform since the late 1990s (Ma, 2011) (see Figure 3-8).

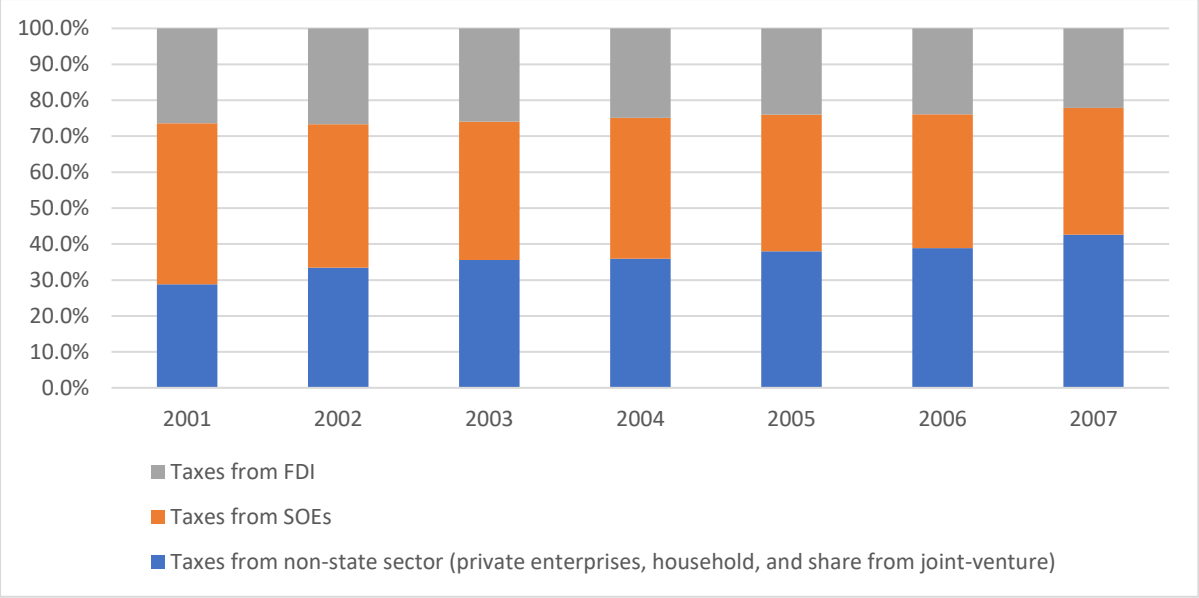


Figure 3-8: Tax origin in China, percentage of total tax revenue, 2001-07. Source: *(Ma, 2011)*.

The contribution of the state sector to the government's income remained robust in the following decade. The 2019 Fiscal Yearbook listed a column data entry which listed the total tax paid by SOEs classified by industry[6]. Combining with the data on fiscal revenue, the SOEs tax contribution during the 2003-2018 period remained substantially high (Figure 3-9). SOEs contributed around one-third of state's tax revenue in 2018.

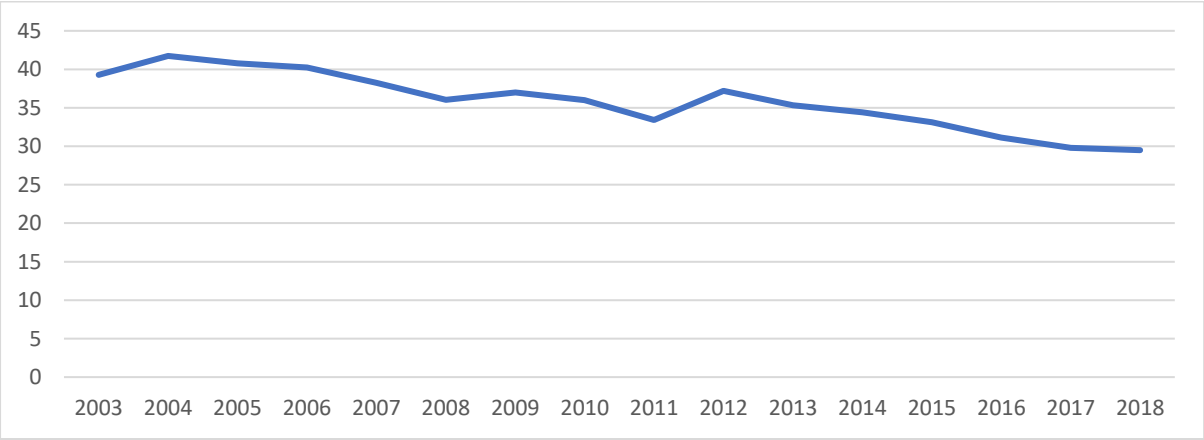


Figure 3-9: SOEs tax contribution in the state's tax revenue, 2003-18. Note: in percentage. Source: *Chinese Ministry of Finance (2019)*.

It should also be noted that since 2013, the CCP Central Committee adopted a resolution which encouraged the practice of the "mixed ownership form" which allowed the fusion between SOEs and the private sector (Chinese Communist Party, 2013). As official data does

[6] National state-owned enterprises classified by basic industry (6): Total taxes paid.

not break down the sources of tax revenue from the mixed ownership, it is impossible to extract the precise amount of tax contribution from state-owned shares in joint-stock companies and limited companies, which together contributed 49 per cent of the total tax revenue in 2018 (Chinese Ministry of Finance, 2019). As C. Zhang (2017) notes, the rapid expansion of SOEs in the mixed ownership economy in recent years must significantly increase the proportion of SOEs in the mixed economy. In addition, if we combine the data with non-tax revenue – the majority of which comes from the state sector (SOEs operating incomes and income from paid use of state-owned resources) – the proportion accounted for nearly a half of the total fiscal revenue (Table 3-2).

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Percentage of SOE and non-tax incomes	45.27	43.61	42.49	46.12	44.67	44.33	45.15	43.75	41.28	39.86

Table 3-2: Income from state sector, percentage of fiscal revenue. *Source: Author's compilation from China Fiscal Yearbooks.*

More importantly, the growing investment of SOEs in the private sector allows the state to control private businesses without holding the majority shares. Bai, Hsieh, Song, and Wang (2020) show that the number of "connected" private owners – those who have connections either directly or indirectly with SOEs – has increased dramatically in the last two decades: while their registered capital accounted for 16 per cent of all registered capital in China in 2000, this rose to 35 per cent in 2019. Among the top 100,000 businesses in China, there were 6,826 SOEs, 17,236 directly connected (receive direct investment/have joint-venture from SOEs), and 37,360 indirectly connected private owners by 2020 (had a joint venture with another private owner that had a connection with SOEs) (Bai et al., 2020, p. 15). Putting these numbers together, state-affiliated businesses accounted for 61.4 per cent of the biggest 100,000 enterprises in China. The figure consisted of only "visible" equity ties, which excluded the practice of implicit ties of regulatory control, state's discretionary power to intervene, and individual connection (Feng, 2019; Reuters, 2019a; Jin Yang, Huang, Deng, & Bordignon, 2020). For example, Jack Ma, Alibaba's founder and the richest man in China, is himself a CCP member (Yuan Li, 2018). In 2020, the would-be world's biggest initial public offering (IPO) of Alibaba's affiliated Ant Group was suspended at the very last minute and subsequently slapped with a 2.8 billion USD for monopoly practice by the authorities (C. Wang, 2021).

By contrast, the role of SOEs in the government revenue has substantially declined in Vietnam since the early 1990s. While they accounted for more than 65 per cent in 1991

(Vietnam Ministry of Finance, 2021), SOEs contributed only 12 per cent in 2019. Over the past two decades as the two countries have taken concrete steps towards a market economy, Chinese SOEs have always contributed a much greater share to the state fiscal revenue than their Vietnamese counterparts have (Figure 3-10).

In Vietnam, SOEs revenue mostly stayed under 20 per cent of government income since 1990s, except in 2013 when the country was recovering from the 2011-13 economic downturn and the oil price collapse. The fundamental difference in the SOEs reform in China and Vietnam is that while the former tends to concretise the role of SOEs in the economy, the latter reduces both their size and influence.

In 2005, there were 14 Chinese SOEs in the top 500 world's biggest companies ranked by Fortune Global; this number increased to 91 in 2020 (S. Kennedy, 2020). Among top 100 biggest enterprises in China in 2020, 63 are SOEs, three directly connected to SOEs, and 31 indirectly connected to SOEs (Bai et al., 2020, p. 15). According to some estimations, China's 96 largest SOEs have a combined asset worth more than 63 trillion USD, which is equivalent to 80 percent of the world's GDP (Blanchette, 2021). In Vietnam, 52 out of 100 biggest enterprises in 2007 were SOEs (Vietnam Report, 2007), but this number decreased to just 38 in 2019 (Vietnam Report, 2021).

Whilst the priority of SOE reforms in Vietnam is the speed of state divesture and equitization (or privatisation) (Vietnamese Government, 2020), China aims to enhance the power of SOEs in the economy (Chinese Communist Party, 2013). During the 2010-20 period, the Vietnamese government divested equity in SOEs with value equivalent to 208 trillion VND (9.5 billion USD) (Pham Thi Van Anh, 2020). Contrarily, the long-term equity investment of Chinese SOEs increased three-fold from 3045.07 trillion yuan (47 billion USD) to 10,668.49 trillion yuan (164 billion USD) during the 2009-18 period (Chinese Ministry of Finance, 2019). In short, during the reform era, while the Chinese SOEs maintained their flagship role, the Vietnamese SOEs have seen their influence substantially decrease.

One interesting observation is that in Vietnam the state control over powerful business elites is not as strong as China. There are much fewer cases against richest oligarchs in Hanoi's anti-corruption campaign. Even when the Vietnamese state chooses to punish powerful businessmen, the punishment is much more lenient than the disgraced politicians involved in the same case (Hayton, 2020, pp. 247-253).

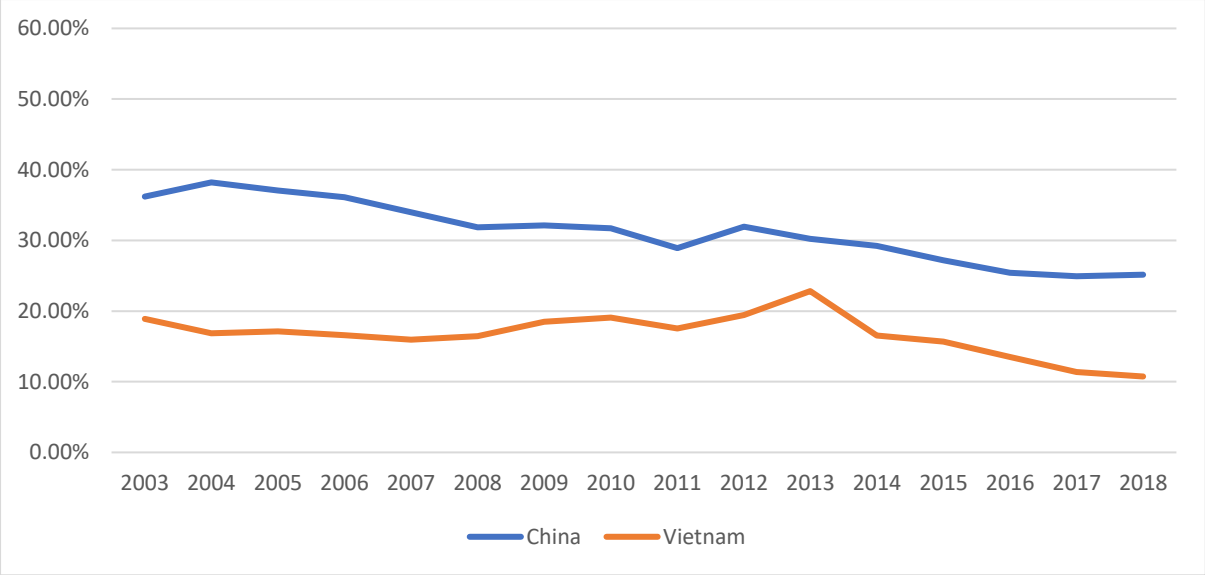


Figure 3-10: Revenue from SOEs, China and Vietnam compared, 2003-18. Note: as percentage of total government revenue. Source: *Author's compilation from the Finance Yearbook of China, Volumes 2009 and 2019, and Vietnam's Ministry of Finance's annual state budget data.*

It would be naive, however, to assume that the Vietnamese regime wants to have smaller state presence in the economy. In various party documents, including the most important ones such as the Congress's political reports, the VCP remains adamant that the state sector is the nucleus of the "socialist market economy" (Vietnamese Communist Party, 1986a, 2006f, 2021b). Throughout *Đổi mới*, Hanoi repeatedly tried to shore up the state sector in a strategy of "grasping the large, letting go of the small" identical to China's (Sakata, 2020). In the early 1990s, the state gathered the largest SOEs to create eighteen national state-owned general corporations in order to build the "pillars of the market-oriented economy", in the hope that these SOEs would have "advanced technology, efficient economic performance, and contribute a significant part of the state budget" while "take up the flagship role in the economy, set the foundation for economic growth as well as solve social issues" (Vietnamese Communist Party, 2015, p. 377). In 2006, at the height of a successful spell of economic development, PM Nguyen Tan Dung initiated an ambitious plan to regroup the largest SOEs into twelve state-owned conglomerates, which would become the "iron fists" of the economy (Vu-Thanh, 2017).

These plans resembled the reform of SOEs agenda in China, which built "dragon-head enterprises" to take control of key economic sectors (Chan, 2009). However, the results were opposite. The "iron fist" policy was heavily criticised after just two years of implementation. PM Dung was close to being disciplined for economic mismanagement, only managing to avoid punishment at the last minute (Vuving, 2013). Dinh La Thang, once a Vietnam's rising

political star, was brought down and sentenced 30 years in prison just a year after being promoted to the Politburo, because of the alleged wrongdoings he made when managing PetroVietnam, the country's biggest SOE (K. G. Nguyen, 2020).

While many factors contributed to the failure of these reforms in Vietnam, diverse elite interests and public pressure played a critical part. Painter (2003, p. 38) argue that that resulted from either a weak capacity to enact coherent reform strategy or "the resilience state comprising a plurality of interest which is able to resist unwelcome pressures to marketize". The public outcry over the corruption scandals in SOEs, particularly Vinashin and Vinalines, also contributed significantly to the demise of the "Iron fist" policy. The National Assembly's representatives frequently used public dissatisfaction as a pretext for criticising the government's policies. On one occasion, representatives asked the PM to resign over his role in the mismanagement of SOEs (Malesky, 2014, p. 92), which was unprecedent and went contrast with the impression of the National Assembly as a pure "rubber stamp" (Schuler, 2021). Similar public challenges never arose in China.

In addition, because any major policies must be agreed by the Central Committee, in which provincial elites occupy the majority, it is not easy to construct a Chinese-style SOE policy in which most profits would be transferred to the centre. Empirical evidence shows that the private sector is better than SOEs in contributing to economic growth and alleviating poverty in Vietnamese provinces (Jaax, 2020; Van Thang & Freeman, 2009), making it even less tempting for provincial leaders to treat SOEs more favourably. This effect is enhanced by the practice of "Vietnamese-style gerrymandering": the creation of new provinces that are less dependent on SOEs, thus establishing a winners' coalition in the CC (Malesky, 2009).

In comparison, unified political control, particularly under the rule of President Xi Jinping, allows the CCP to reform SOEs with almost no opposition (Yu, 2019) and in a concerted bureaucratic effort (Chan, 2009, p. 52). In fact, Chinese SOEs only became profitable in the late 1990s after a long struggling period (Ma, 2011; Sachs & Woo, 2003). The Chinese state carefully protected the domestic market and privileges of SOEs, despite the country's integration with the global trade system (Wolfe, 2017). In exchange for major trade deals, Vietnam had to give concessions on SOE reforms, particularly regarding the transparency of their businesses, state subsidies, and market regulations (Hoang & Hoan, 2019).

This is not to say that if Hanoi had been patient enough and guaranteed better resources, Vietnamese SOEs would have dominated the economy and contributed to the state budget as

their counterparts in China have been doing. Differences in development contexts, historical legacies, and the sector's own capacities might play a significant explanatory role. Yet looking at several indicators, Chinese SOEs do not perform significantly better than Vietnamese SOEs in comparison to other sectors in their respective economies. Chinese SOEs had the return on assets (ROA) ratio of 2.9 per cent in 2018 (Chinese Ministry of Finance, 2019), equal to just a third of the private sector (S. Kennedy, 2020). Vietnamese SOEs had the ROA ratio of 2.2 per cent (the FDI sector's is 7 per cent, the non-state sector is 1.8 per cent) in 2018 (Vietnamese Ministry of Planning and Investment, 2019). The persistence of SOEs in China, in other words, reflects a political rather than an economic rationale.

The dependence on SOEs for fiscal extraction is the main characteristics of a "domain state" (Ma, 2011; McKinnon, 1992). Autocratic rulers, however, have alternative non-tax revenues. In Vietnam and China where the economies have been booming for the past 40 years, land sales have become one of the largest sources of income. This is particularly important for local governments, as fiscal reforms in respective countries centralise revenue and greatly reduce their disposable income (Bai, Hsieh, & Song, 2016; Ma, 2009; Vu-Thanh, 2017). In Vietnam, oil revenue – at times accounted for 25 per cent of the government's revenue – also occupies an important position in the country's fiscal strategy. These sources of revenue can be considered as "rent substitutes", which allow the regimes to depend less on taxation. For example, based on the survey data of industrial enterprises in China from 1998 to 2008, Shaoan, Kai, and Tong (2012) find out that rising housing prices (thus increasing the government's income from real estate) will lead to an overall decline in corporate taxes (including value-added tax, income tax, main business taxes and surcharges). As both countries have the highest urbanisation rates in Asia, with 40 per cent of the population in Vietnam (D. T. Nguyen, Pham, & Nguyen, 2020) and 60 per cent in China (Z. Cai, Liu, Zuo, & Cao, 2019) being urban dwellers, land sale will continue to be an important source of incomes for the regimes (averaged developed countries' urban population stay at around 70 per cent), particularly for the local authorities, in the short and middle term.

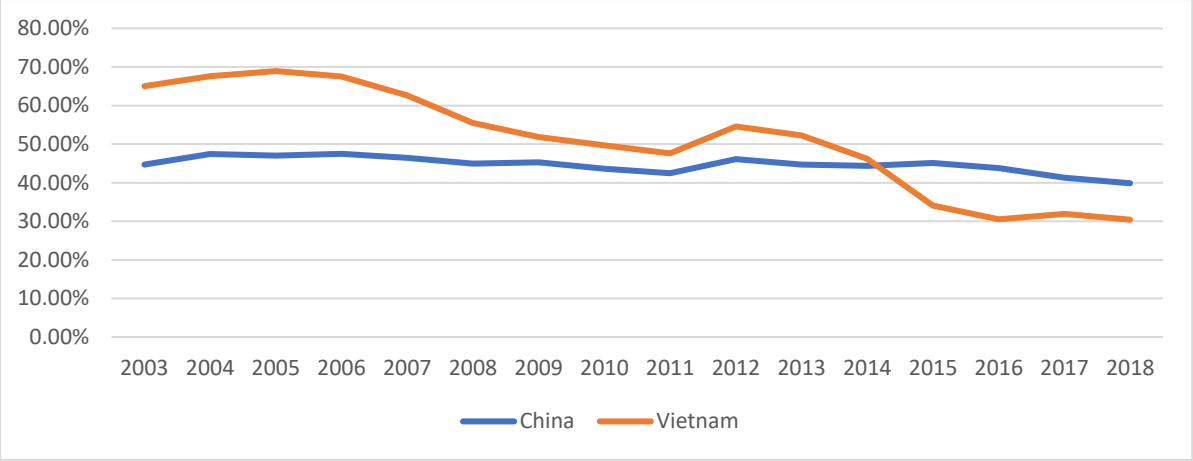


Figure 3-11: Non-tax revenue in Vietnam and China, 2003-18. Note: including incomes from SOEs. *Source: Author's compilation from the Chinese Financial Yearbook database and Vietnam's Ministry of Finance's database.*

In this sense, both Vietnam and China have certain characteristics of a rentier state in the reform era. However, the patterns of their non-tax revenue have been diverging for the last two decades. As can be seen from Figure 3-11, non-tax revenue (including incomes from SOEs) has reduced substantially in Vietnam, from accounting for nearly 70 per cent in 2005 to just 30 per cent of the government's total budget revenue in 2018. Contrarily, non-tax revenue has been largely stable and contributed to around 40 per cent of the Chinese government's total revenue over the same period. The tendency shows that Vietnam's extraction increasingly depends on taxation, while the Chinese regime depends on a stable source of non-tax revenue.

The "hidden taxation" and the direct taxation

Some taxes are more easily felt by the population than others. Authoritarian regimes prefer indirect taxation such as VAT over personal income taxes (PIT), because it is not directly levied on the population (Ma, 2011). The rise of PIT as the main source of state income coincided with the democratisation of the West. States which are able to extract a large amount of income taxation also seem to develop strong political institutions that in return constrain them. In a sample of 18 Western countries, Besley and Persson (2013) find that while income taxation only made up about five per cent of their revenues in 1900, it accounts for around 50 per cent by 2000. The characteristics of the taxation system in Vietnam and China vividly illustrate this tendency.

Since the market reforms, both countries have adopted a taxation strategy which depends heavily on indirect taxes, particularly the VAT. When first introduced in 1985, VAT

only accounted for 7.2 per cent of the total tax revenue in China. After the tax reform in 1994, VAT accounted for 43 per cent of the total tax revenue in 1995 (National Bureau of Statistics of China, 2010). The share of VAT has remained stable during the past three decades, accounting for 45.1 per cent of the total tax revenue in 2019 (China State Taxation Administration, 2019). In Vietnam, VAT was introduced in 1997, it almost immediately became one of the most important sources of state income. However, the share of VAT in Vietnam's tax revenue is significantly smaller than in China. In the period from 2006 to 2019, VAT accounted for around 25 per cent of the country's total tax revenue (Thu Hong, 2020). Chinese VAT rates are higher than those in Vietnam and among the highest in the Asia–Pacific region, whether counted by the highest applied rate or by the averaged rate (Tan & Zhu, 2013).

The dependence on indirect taxation can also be seen in the time of fiscal troubles. The Vietnamese state always opts to raise revenue from indirect taxation under budget pressure, although the tax base for direct taxation has expanded substantially in recent years thanks to the country's economic boom. Facing huge budget deficits, the government has repeatedly asked to raise the VAT rate by two percentage points (from 10 per cent to 12 per cent) since 2016. However, these demands were met with anger from the public which forced the government to back down (K. G. Nguyen et al., 2017). Not being bothered, the government tried to raise another indirect tax, the environmental protection tax, to the highest rate possible allowed by National Assembly. In this case, the Ministry of Finance had to publicly comment that the new tax rise faced "no oppositions from citizens" (Phuong Dung, 2018) to convince the National Assembly to adopt the recommendation. Although Beijing never seems to face serious fiscal shortage as Hanoi does, their multiple efforts to raise the share of direct taxation – mostly personal income and property taxes – have failed due to the pervasive problem of tax avoidance which results directly from the lack of consent-based legitimacy (Gilley, 2017).

It is also important to analyse the development of PIT in two countries. PIT was first adopted in China in 1980 (Zhan, Li, & Xu, 2019), while in Vietnam a formal personal income tax law was not issued until 2007. Taxes levied on individuals before that were called "tax on high-income earners". However, PIT has quickly increased its share in Vietnam's total budget revenue. From just two per cent in 2000, it contributed eight per cent of the total budget revenue in 2020 (Figure 3-12). Interestingly, its increase corresponded to the decreases from oil revenue and SOEs. In China, although the number of nominal taxpayers is high, the share of PIT remained modest throughout the *Reform and Opening up*. Tax avoidance remained a big issue, as only 28 million out of 187 million eligible people paid PIT in 2015 (The Economist, 2018).

The main focus of the Chinese tax reform in the past 40 years has been turnover tax while the role of income tax (including PIT) has not been significantly changed (Peng, 2020).

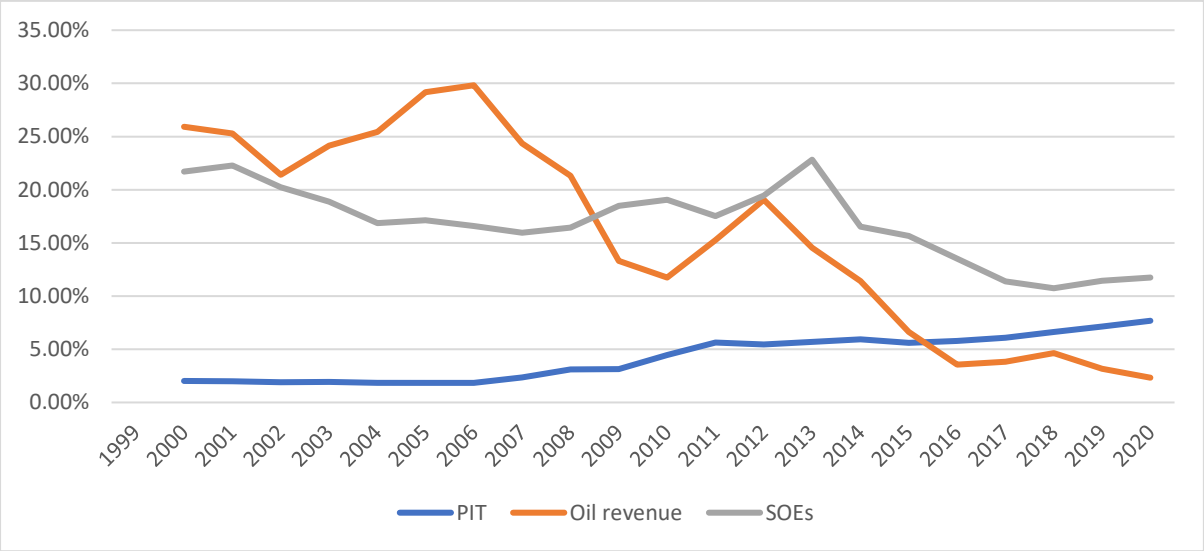


Figure 3-12: Revenue shares from SOEs, oil export, and PIT in Vietnam, 2000-20. Note: Data from 2000 – 2007 is tax on high-income earners, from 2007 onward is PIT. *Source: Author's compilation from Vietnam General Statistics Office and Ministry of Finance.*

Comparing PIT in Vietnam and China with India, the world's largest democracy, and Taiwan, a vibrant democracy with similar cultural characteristics, is revealing. PIT in India was consistently higher than that in China and Vietnam during the 1999-20 period (Figure 3-13), although significantly fewer people were obliged to pay PIT (as percentage of the total population) in India. While around 15 per cent of the population in China and around 7.5 per cent of the population in Vietnam were subject to pay PIT, only one per cent of the Indian population were eligible (FE Online, 2020). In Taiwan, PIT accounted for just 5.6 per cent of government revenue in 1975 when political democratisation began. In 1996, when the first democratic election was held, the PIT share rose to 12 per cent and has since remained relatively stable above 15 per cent of the total government revenue (Taiwan Ministry of Finance, 2021). Certainly, there might be other factors that contribute to such differences. However, these observations are very much in line with the theoretical predictions of the role of political accountability on extractive capacity, as well as the empirical evidence presented by Besley and Persson (2013).

Piketty and Qian (2009) hypothetically projected that if China retained the current (2008) PIT threshold, then 50 per cent of the Chinese population would have to pay PIT by 2015, and PIT would account for 10 per cent of China's GDP and thus have a huge impact on

the country's political prospects. This projection did not happen, however. By 2018, PIT revenue accounts for 7.6 per cent of the government's total revenue and is equivalent to less than 1.5 per cent GDP. In 2019, the number decreased to 5.4 per cent. By 2018, PIT revenue accounted for 7.6 per cent of the government's total revenue and was equivalent to less than 1.5 per cent of the GDP. In 2019, PIT's share in government revenue decreased to 5.4 per cent. By 2018, PIT revenue accounted for 7.6 per cent of the government's total revenue and was equivalent to less than 1.5 per cent of the GDP. In 2019, PIT's share in government revenue decreased to 5.4 per cent. It is difficult to speculate whether leaders in Beijing intended to keep PIT low in order to avoid the risk of popular pressure. Nonetheless, this characteristic is noteworthy, as scholars have observed how states that raise significant revenue from income taxation face strong demands for accountability (Besley & Persson, 2013; Fukuyama, 2011; Michael L Ross, 2018).

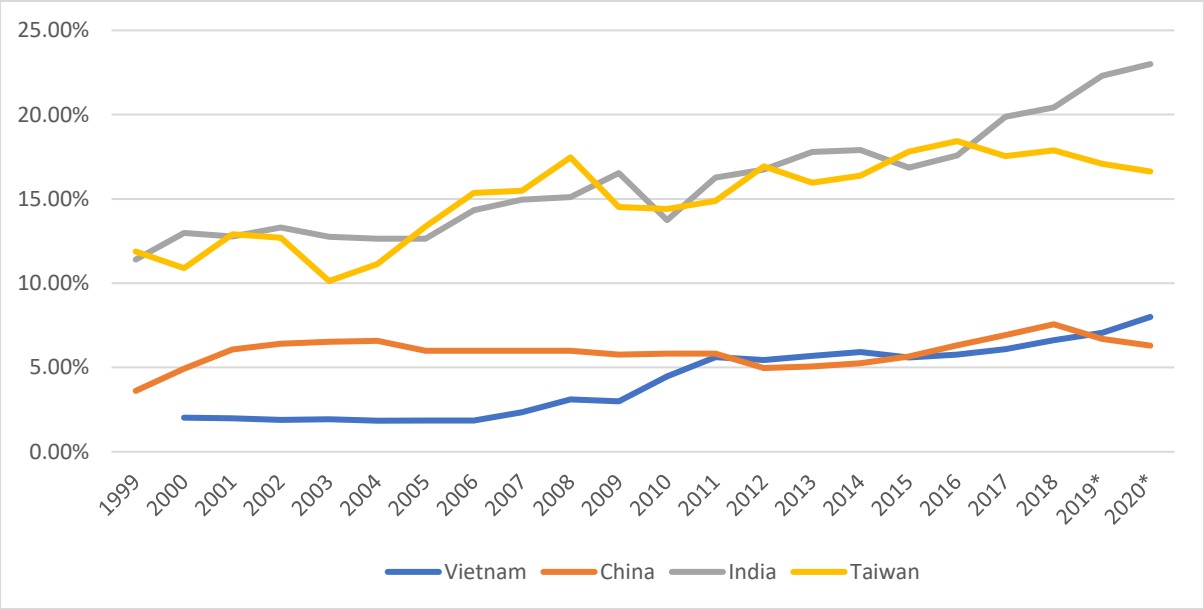


Figure 3-13: Personal income tax: Vietnam, China, India, and Taiwan compared, 1999-20. Note: as percentage of government revenue. Source: *author's compilation from Vietnam's Statistical Office, Vietnam's Ministry of Finance, China's National Bureau of Statistics, China's Ministry of Finance, India's Ministry of Finance, and Taiwan's Ministry of Finance. Data for 2019 and 2020 are estimated.*

In short, although both countries favour indirect taxation in their extraction practices, China tends to be more dependent on VAT, while PIT plays a minimal role in the state budget. In contrast, Vietnam's state revenue has transformed dramatically from a rent-based system into a more tax-based one, in which PIT plays an increasingly important role. As the country is integrating more into the international economy – Vietnam's trade per GDP is among the

highest in Asia at nearly 200 per cent – export-import taxation will continue to decrease, further consolidating the role of PIT in the country's budget.

Although the focus of this section is on PIT, corporate income tax (CIT) might also have the similar democratisation impact. In an empirical investigation of business elites and ordinary citizens in Taiwan and China, Kao, Lu, and Queralt (2021, p. 36) show that demand for accountability – as a means to protect their wealth for the state – is highest among the former. In addition, raising CIT would have negative impacts on economic growth which in turn deteriorates the regimes' performance-based legitimacy. Perhaps because of these reasons, both Vietnam and China have in fact reduced the CIT rates over the years (Figure 3-14). CIT contributed 19 per cent of China's government revenue in 2018, a slight increase from 14 per cent in 1994, but has remained unchanged since 2008. In Vietnam, CIT used to be among the biggest sources of income during the 2000s but has sharply decreased ever since.

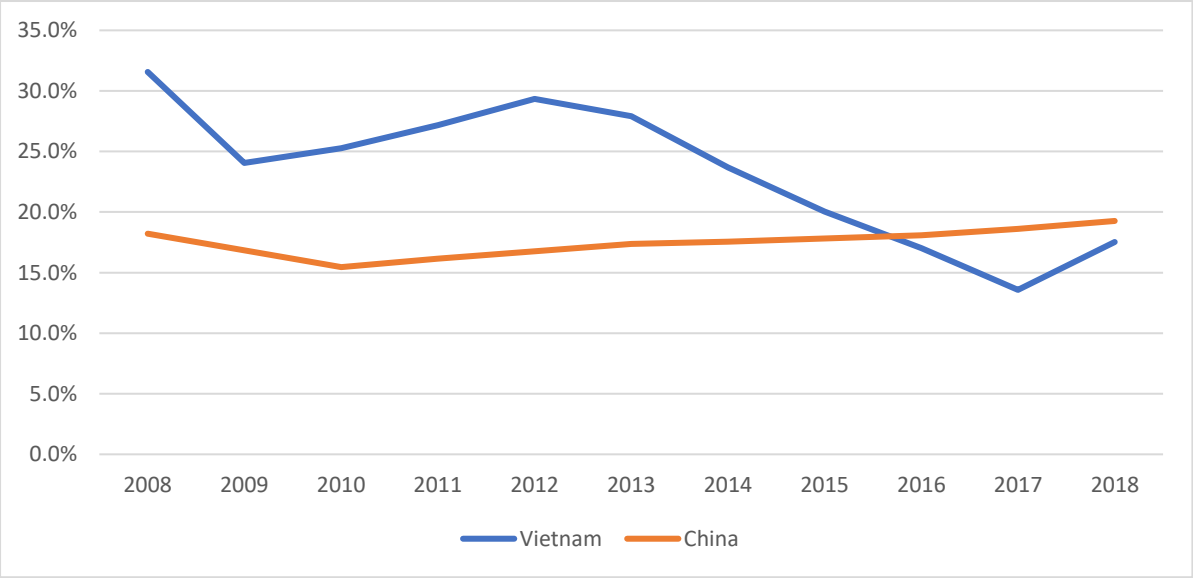


Figure 3-14: Corporate income taxes (CIT) in Vietnam and China, 2008-18. Note*:* As percentage of total revenue. *Source: Author compilation from Chinese Statistical Yearbooks and Vietnamese Ministry of Finance data.*

Vietnam as China's path not taken

Up to now, the chapter has analysed how Vietnam's and China's extractive capacities have evolved and diverged in the past four decades. My main argument is that differences in political accountability can explain this divergence. A more collective leadership system and higher external accountability prevented Hanoi from having a consistent SOEs policy that could have provided the regime with a stable source of income as China has achieved. This political arrangement, however, allowed Vietnamese rulers to implement direct taxation when

non-tax revenue – particularly from natural resources – could not keep up with the growing need of public expenditure from the early 2000s. By contrast, centralised leadership gave Beijing the discretion to develop a state-led economy with SOEs dominating, while limiting its option to implement taxation. There are, however, alternative theories that account for this differentiation in extraction patterns.

First, tax collection capability matters. China's fiscal income may depend on revenue collected from SOEs and VAT because the Chinese state is unable to extract taxation from the non-state sector as efficiently as the Vietnamese state does. This line of argument leads to a conclusion that Vietnam's tax governance is better than China's. This sounds counter-intuitive, as higher-income countries tend to have greater tax capacity (Teera & Hudson, 2004). China also has a much larger urban population and an economy that is less dependent on agriculture, two conditions that help strengthen the state's capability to collect taxes. The total tax and contribution rate (percentage of profit) of enterprises operating in China (surveyed in Beijing and Shanghai) stood at 62.6 per cent, doubling East Asia's average and 20 percentage points higher than OECD countries in 2020 (World Bank, 2021a). The rate in Vietnam was 37 per cent (World Bank, 2021b), half of China's, but enterprises had to spend nearly 400 hours per year to pay taxes, compared to just 128 hours in China. If anything, this suggests that China possesses a much more efficient tax governance system than Vietnam does, because it collects a larger portion of tax from enterprises' profits with a much smaller amount of time required.

Since the 1993-1994 reforms, the Chinese tax administration has been greatly strengthened and much more centralised. China's tax collection agency (under the direct management of the State Council) was divided into local and central bureaus in each province, and the central bureaus were tasked with collecting the shared taxes, including the biggest taxes such as VAT, CIT, and PIT. In 2018, the local tax bureaus were merged into the central bureaus, further consolidating the central government's control over taxation (KPMG, 2018). In Vietnam, there is only a single local tax bureau in each province; the bureaus' operational costs – including salaries – are covered by the provincial governments, thus aligning them with local interests.

Another useful indicator for comparison is the amount of tax revenue collected per tax officials in two countries. In 2019, the number of tax officials in China (at both central and local levels) was 720,000, and they collected a total tax revenue of 15.6 trillion yuan (around 2397 billion USD) (China State Taxation Administration, 2019). Thus, the amount of tax revenue collected per official was 3.33 million USD. In the same year, the number of tax

officials in Vietnam was 39,995 (Trung Kien, 2020) and tax revenue was 1,276 trillion VND (55 billion USD) (55 billion USD) (Vietnamese Ministry of Finance, 2020). The tax revenue collected per official in Vietnam was 1.37 million USD. The higher level of tax collection efficiency in China vis-à-vis Vietnam shows that geographical and size differences do not convincingly explain the divergence of extractive capacity.

Second, extraction patterns might depend on the historical legacy of each country's development model. Even if the Chinese political leadership had become more collective-based as happened in Vietnam, the regime would have maintained a fiscal system that depends on SOEs and indirect taxation. To put it bluntly, there is no critical link between political accountability and extractive capacity. To provide a counter-factual analysis of what might have happened is difficult and speculative in nature (Capoccia & Kelemen, 2007); however, there are reasons to believe that this line of argument was not the case.

First, tax rebellions have historically been major threats for different Chinese regimes and dynasties throughout the country's long history (Bernhardt, 1992; Bernstein & Lu, 2002; Fukuyama, 2011). Communist rule is not an exception. Concerns about tax resistance appeared frequently in the documents of the CCP from the mid-1980s, when the second phase of market reforms was implemented (China's State Council, 1987). After the recentralisation of fiscal revenue, local governments imposed excessive taxes and fees on farmers to secure their budget, which led to an increase of tax riots in rural China during the 1990s and early 2000s (Bernstein & Lu, 2002). The Chinese leadership certainly had political stability in mind when deciding to carry out rural tax reforms and ultimately abolished agricultural taxes (Mingxing Liu, Xu, Su, & Tao, 2012; Yep, 2004).

Second, if we consider Vietnam as "China's path not taken" (Schuler, 2020b), then we might be able to construct the alternative set-up of China's fiscal regime after the critical juncture of the late 1980s. A more collective-based leadership might have empowered different factions, such as provincial elites or reformists, with different – sometime opposing – economic and political interests. Indeed, before the Tiananmen Incident and the subsequent fall of the reformist faction, the *Reform and Opening up* in China was a process of decentralisation (Naughton, 1995; Shirk, 1993). The recentralisation after 1989 – particularly the 1993-94 fiscal reforms – effectively ended this "federalism with Chinese style" (Y. Huang, 2008, pp. 111-112; Zheng, 2007). At that time, the CCP's General Secretary, Zhao Ziyang, led political reform efforts that were characterised as a "soft authoritarian alternative" with a much more

open attitude to "interest-group pluralism" (Baum, 2008, p. 113; Z. Zhao, 2009). If these efforts had been successful, then a development strategy that required a long-term commitment with an enormous cost, such as the SOEs programme, would have been much more difficult to achieve.

Conclusion and discussion

> "We can be proud that the high revenue reflects the people's confidence in the government… not because of the government's excessive extraction efforts. If the people do not trust the government, they will try to avoid taxes".
>
> Vietnamese Prime Minister Nguyen Xuan Phuc (Duc Tuan, 2020)

The above comment, made by the Vietnamese PM during a meeting with the Ministry of Finance in 2020, captures a dramatic turnaround of the country's revenue mechanism from a total disregard of taxation (on the non-state sector) as "capitalistic" by Le Duan in the early 1980s to a full recognition of its importance to the one-party state's fiscal revenue – and thus, its very survival. The analysis in this chapter shows that his comment is not merely rhetorical. Following the critical juncture framework of Collier and Collier (2002), I have examined the diverging patterns of extractive capacity in Vietnam and China during their respective market reforms. While Vietnam moved towards a tax state with an increasing dependence on taxation from the non-state sector and direct taxation, China depended on the state sector and indirect taxation for its fiscal need.

The different characteristics of political accountability in the two countries is the main explanatory factor. Vietnam's diverse political leadership contributes to its inconsistent SOEs policy, which was dragged back by "the contradictions and conflicting objectives" (Kokko & Sjoholm, 2000, p. 261). By contrast, despite concerns over corruption and inefficiency, Chinese SOEs have been guaranteed monopolistic power over the economy (Duan & Saich, 2014). Given Vietnam's empowered National Assembly (Malesky & Schuler, 2010; Schuler, 2020a), genuine public interest in SOEs has fuelled public debates and queries about government performance, serving as an informal accountability mechanism.

Foreign pressure is another mechanism of accountability in the case of Vietnam. As a middle-power and a trade-dependent economy, Vietnam is under enormous pressure to carry out reforms to SOEs in exchange for trade deals with Western partners. These agreements – particularly the granting of American Permanent Normal Trade Relations (PNTR) status in

2006, World Trade Organisation (WTO) membership in 2007, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2018 and the EU–Vietnam Free-Trade Agreement (EVFTA) in 2020 – have further curbed the influence of Vietnamese SOEs in the past 20 years. These pressures rarely exist in the much more self-assured, centralised regime of China.

Leaders in Hanoi and Beijing are fully aware of the link between taxation and representation. Taxpayers' consciousness can easily evolve into political consciousness, which threatens a regime's survival. China's rural unrest in the 1990s and the regime's subsequent agricultural tax reforms served as a lively example (Bernstein & Lu, 2002). Indirect taxation offers a viable solution, because it allows rulers to extract substantial revenue without creating bottom-up pressures from taxpayers. This explains why indirect taxation, such as VAT and environmental protection taxes, plays a critical role in the fiscal revenue of both regimes. Although tax rates in China are among the highest in Asia, a 2014 national survey found that less than 10 per cent of respondents thought their tax burden was too high (C. Zhang, 2017, p. 48).

However, low-salience taxes such as VAT have limits. First, VAT is not efficient in countries where there is a large informal sector (Emran & Stiglitz, 2005) – which is the case in both Vietnam and China. Second, VAT is regressive and tends to widen the inequality gap upon adoption (Alavuotunki, Haapanen, & Pirttilä, 2019; Oxfam, 2016), which creates another source of instability. Third, the "hidden tax" cannot stay hidden forever, particularly when it creates more burden on the middle and low-income classes whose disposable income is mostly spent on taxed essential goods and services. The Vietnamese state – when facing fiscal shortage – has been trying to raise the VAT tax rate in recent years but had to step back under public pressure (K. G. Nguyen & Nguyen, 2021). A budding civil society, open internet, and the pro-active role of the National Assembly under an authoritarian context certainly enhances the taxpayers' consciousness and thus contribute to this pressure.

A more sustainable revenue system would require a modern accountability mechanism to defuse potential state-society conflicts, which usually starts with budget transparency and oversight of elected legislators (Gilley, 2017, p. 464). Based on these measures, Vietnam seems to perform better than China. In the Open Budget Index which measure the public's access to information on how the central government raises and spends public resources, China scores 19 out of 100 comparing to Vietnam's 38 out of 100 (Open Budget Initiative, 2019). More

specifically, the former has a zero score on public participation in the budget process and 31 out of 100 of budget oversight. Vietnam, on the other hand, has a public participation score of 11 and budget oversight of 74.

The characteristics of extraction affect the characteristics of rule and ultimately decide a regime's democratisation prospects (Tilly, 2009). To secure fiscal stability, the regime must either secure its own production capability or guarantee a sustainable taxation income. Rulers have three choices to guarantee taxation: using coercion, creating ideological and cultural compliance, and building quasi-voluntary compliance (Levi, 1989, pp. 49-50). Despite being authoritarian regimes, applying coercive methods to force compliance is not always successful, because it creates administrative costs and at the same time demotivates economic production. The latter two methods require reciprocity: taxpayers will comply only if rulers generally accept the "social contract" by allowing greater accountability and being more responsive to popular demand. This creates the positive "feedback effect" which establishes a specific equilibrium of extraction and political accountability. In the words of historical institutionalists, these two factors are interlocked in a self-reinforcing path (Pierson, 2000; Thelen, 1999). That path in Vietnam consists of high accountability and an increasing dependence on taxation from non-state sectors, while the China's path shows a strong determination of the state to control economic resources.

Chapter 4 - Same Bed, Different Dreams: The Divergence of Governance Capacity in Vietnam and China

In the previous chapter, I discussed how and why extractive capacity has diverged in Vietnam and China during their respective market reforms. This chapter focuses more on the redistribution side to see how rulers in Hanoi and Beijing have built their governance capacity during the same period. As explained in chapter 1, the term "governance capacity" is certainly broad and might mean different things in different contexts. In this chapter, it means the ability to design and regulate social and economic policies (Jonathan K Hanson, 2018)[7]. Staying away from the major debate on the definition and measurement of governance (Fukuyama, 2016), I do not intend to measure the *absolute* governance capacity which usually means the quality of governance and which can be used as a benchmark for cross-national comparisons such as the World Bank's World Governance Indicators (WGI). Rather, I attempt to examine the structure and patterns of governance capacity by focusing on how state invests in its governing practice. In so doing, it is possible to learn the state's policy preferences as well as the characteristics of its governance capacity.

Based on the conceptualisation of state capacity as scope and cohesion as noted in Chapter 1, two characteristics defining governance capacity analysed in this Chapter are the levels of its *expansiveness* and *cohesiveness*. Looking from the fiscal perspective, the former refers to the extent to which governance capacity covers, while the latter emphasises its efficiency. In a way, the question over the scope and cohesion of governance capacity is linked to the redistributive practice – resources are scarce, and a state prioritises them according to its own needs and preferences. A governance capacity that is wide in scope redistributes wealth more expansively and equally to the population, while a state with a cohesive governance capacity tends to re-invest wealth to improve its performance. Figure 4-1 conceptualises how China and Vietnam differs in these two dimensions: while the former has a more cohesive governance capacity, the latter has more extensive coverage but less cohesive capacity.

[7] Excluding control capacity, which will be examined in the next Chapter.

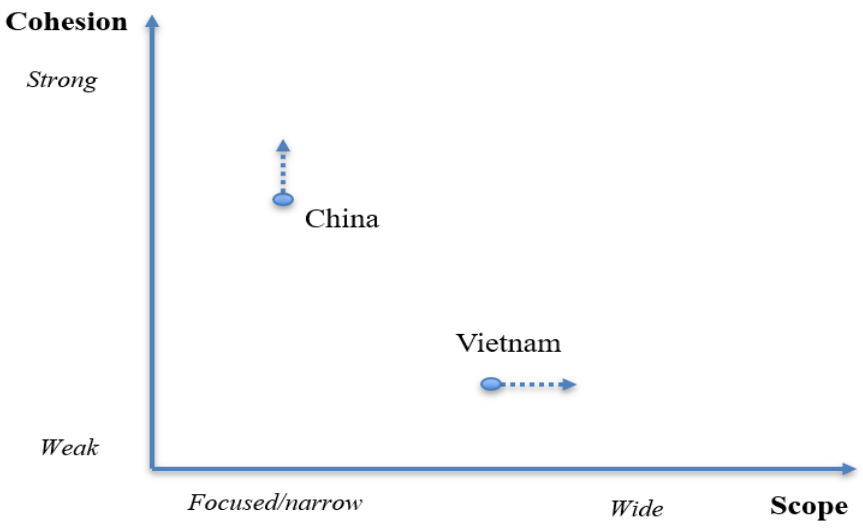


Figure 4-1: Scope and cohesion of governance capacity in Vietnam and China.

There are different dimensions that can be used to illustrate the scope and cohesion of governance capacity. In this chapter, I focus on the fiscal aspect, or more specifically the allocation of state resources for governance purposes. In more detail, if a regime has a wide scope in governance capacity, its spending tends to prioritise equal redistribution, while a "cohesive" regime invests more on areas which directly help boost economic growth – i.e., infrastructure investment and science and technology spending. Admittedly, this is far from ideal because spending patterns do not always correlate with capacity. For example, a state's spending increase on healthcare might signify its weak capacity in that area instead of strength. However, a consistent pattern of prioritised spending on a specific capacity over a long enough period should increase the relative strength of that area vis-à-vis others. This is because spending has the characteristics of "increasing returns": interests and institutions created by the process establish the path dependence that in return reinforce the policy-priority patterns.

It is worth noting that I do not try to argue which system of governance is better. A system that is more cohesive might have the ability to be more expansive and sustainable in the longer term. Contrarily, a system which is wider in scope of coverage guarantees more social equality at the present but might be less effective in optimising scarce resources for long-term growth and prosperity. In the Vietnamese case, for example, the over-emphasis on transfer equalisation makes critics often ridicule Hanoi's development strategy as a jackfruit – having many spikes without a sharp focus (Hieu Minh, 2017). This will have differentiating impacts on regime survival which will be a topic for discussion in latter chapters.

This chapter proceeds as follows. In the first section, I explain how governance capacity have differed in Vietnam and China, looking from the fiscal perspective. There have been a number of research that compares different aspects of governance capacity in Vietnam and China (Abrami et al., 2013; Malesky, Abrami, et al., 2011; Malesky & London, 2014). However, most focus on the scope of state function but neglects cohesion. I attempt to compare the structure of Vietnam's and China's governance capacity in both aspects, reflected via the patterns of state expenditure: an expansive governance capacity tends to be "pro-poor" and more redistributive, while a cohesive governance capacity emphasises "efficiency first" spending (J. Han, Zhao, & Zhang, 2016).

The second section explains why political accountability can be considered as the main explanatory variable, as well as identifying the channels via which political accountability affects governance capacity. As governance capacity is shaped by the allocation of resources, I argue the impact of political accountability on governance capacity is two-fold. First, the power relations among the ruling elites, i.e., between the central and the local authorities and among different factions within the party, is a significant determinant in shaping redistributive practices. This is the internal aspect of accountability. Second, the population can also affect governance capacity by pressuring the regime to redistribute more. This is the external aspect of accountability, which is understandably less prevalent in authoritarian regimes.

In the third section, I carry out a mini-comparative study of Shanghai and Ho Chi Minh City (HCMC), the two economic centres of China and Vietnam respectively. By looking into the contrasting policy environments shaped by the central authorities, I explain how different characteristics of governance capacity engendered different outcomes of development in the two cities.

To identify a direct link between political accountability and state capacity is a difficult task. Consequently, to complement the arguments made in this chapter, I also explore alternative explanations, including the state's political ideology, leadership's preference, and cultural differences. The chapter concludes with several reflections on the analysis.

The divergence of governance capacity in Vietnam and China

It is nearly impossible to find a generally accepted set of measures for governance (Fukuyama, 2016, p. 98), and this chapter does not intend to step into that uncertain water. In addition, as previously indicated, I do not seek to compare China and Vietnam in absolute terms

(that is, which governance system is better), but to compare how different priorities of governance are set in the two regimes. A detailed examination of resource allocation will be useful for such a purpose.

One legitimate concern is that financial allocation might only show the area in need instead of the preferences of state policies. For example, the state may spend heavily on infrastructure because it lacks *good* infrastructure rather than because it *favours* infrastructure spending over other duties. However, this concern is only reasonable for short-term spending, which indeed might indicate the weak links that need to be revamped. Long-term spending patterns, by contrast, should show the state's preference and reflect – at least to some extent – the relative capacity vis-à-vis other aspects of state capacity within the regime. This is because state spending, over the time, creates entrenched interests that are resistant to change. Take the case of North Korea's "Military First" policy for example. When a regime has consistently spent a large proportion of its state budget on military for decades, it should indicate the regime's clear preference for maintaining and increasing its repressive capacity – and despite the fact that we do not know the level of efficiency of such investments – this practice certainly indicates that the regime's repressive capacity is stronger than other aspects of its state capacity.

Looking via the lens of resource allocation during the reform era, there are marked differences in priorities in Vietnam and China. Before market reforms, both countries were centrally planned socialist states with resources being wholly controlled and distributed by the state. The high extraction rate as shown in the previous chapter came in parallel with a high level of redistribution. This was reflected most evidently in the area of social welfare policy. Despite the lack of resources, China and Vietnam guaranteed, at least nominally, universal coverage of healthcare and education. This helped establish a governance capacity – in theory – that was wide in scope but less effective (or cohesive) in nature.

However, since the critical juncture of the late 1980s, this phenomenon started to change. In Vietnam, equalised redistribution remained a priority with the state heavily favouring social spending – including education and healthcare. In China, the state started to retreat from the earlier principle of egalitarianism to what Deng Xiaoping called "letting some people get rich first" so that in latter stages they could help others achieve "common prosperity" (Deng, 1985). The motto not only acknowledged the rationale of China's development strategy during the *Reform and Opening up*, but also implied the principle of resource allocation that

preferred efficiency over equality. Two prioritised areas, thus, are infrastructure investment and R&D spending, which are believed to contribute more directly to economic growth.

In detail, more than half of the Vietnamese state's recurrent expenditure was for social spending (Vietnam Ministry of Finance, 2019b), which accounted for more than 10 per cent of the country's GDP. This number will be much higher if other relevant expenditures on social welfare (investment and development spending) are included. China, contrarily, spent less on social affairs than both other countries at China's income level and OECD countries (Dehua, 2015; The Economist, 2020). China's total welfare and health expenditures were about 3.5 percent of GDP, while other emerging market economies spent an average of more than six percent of GDP (International Monetary Fund (IMF), 2021).

How has such a divergence emerged and developed? The following paragraphs examine spending patterns of the two countries after the critical juncture of the late 1980s by focusing on two main categories: human capital spending (education and healthcare) and efficiency spending (infrastructure and research and development (R&D) spending). In terms of resource allocation, the former indicates the scope of governance capacity, while the latter illustrates its cohesion.

As a percentage of total government expenditure, Vietnam has spent nearly twice as much as China in education since 1997 (Figure 4-2), and as much as other developed countries in the region such as Japan and South Korea, according to the latest available data in 2016 (World Bank, 2021e). Although China spent more on education in the early 1990s (at 15.72 per cent in 1991), the positions reversed in the 2010s. Moreover, what is more striking is the different structures of spending in the two countries. In China, education spending tends to be prioritised to urban areas, exaggerated by the household registration (*hukou*) system (Jun Yang, Huang, & Liu, 2014) and geographical differences in economic development (Hannum & Wang, 2006). The reason is that Chinese policy makers considered urban areas more important to economic development (Y. Huang, 2008). At the same time, the eastern coastal region, where the *Reform and Opening up* was initiated and gathered pace, has always been China's engine of growth. When the reform agenda was stalled after the Tiananmen interlude, it was Deng's famous "Southern tour" in the region that brought it back to track. Despite the overt efforts of the centre to reduce education inequality, regional education disparities has remained unchanged in the past two decades (Xiang, Stillwell, Burns, & Heppenstall, 2020).

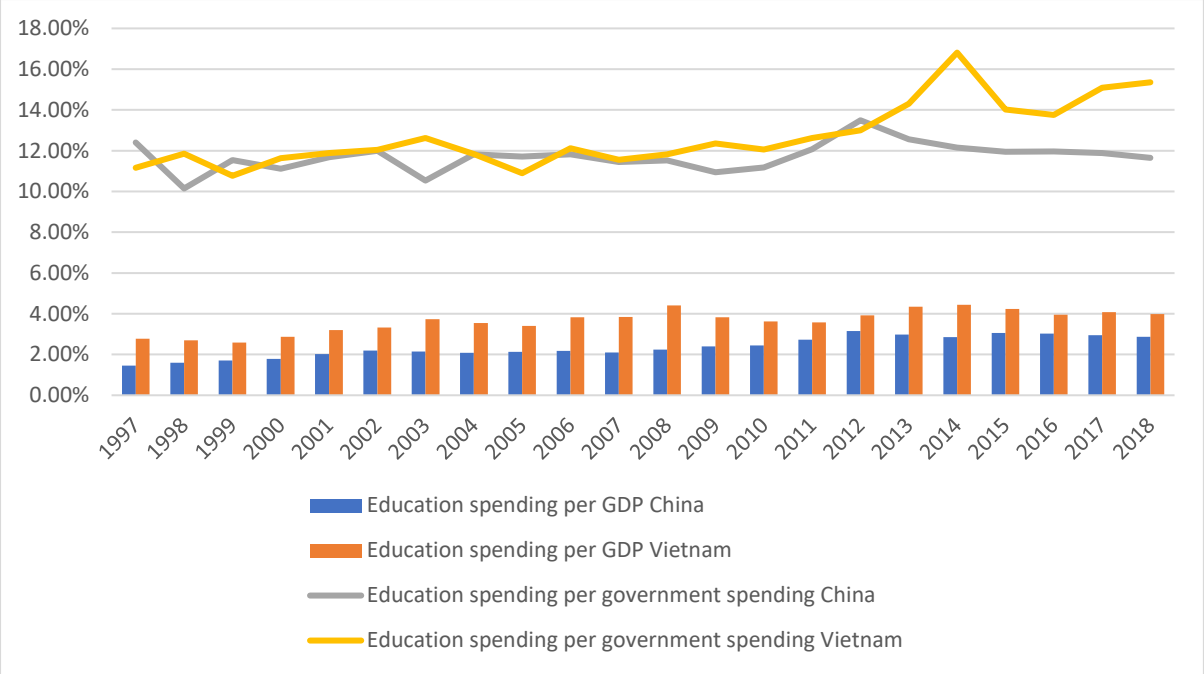


Figure 4-2: Vietnam and China's operating expenditure on education, 1997-2018. *Source: Author's compilation from China's National Bureau of Statistics, China's Financial Yearbook, Vietnam's Ministry of Finance and Vietnam's General Statistical Office. China's data on operating expenditure from 2008 is estimated based on previous ratios of operating expenditure per total expenditure.*

Education spending in Vietnam, by contrast, is more egalitarian and pro-poor. The country has a reputation for guaranteeing education equality, with an education Gini coefficient of similar range with much more developed countries in region, including South Korea, Japan, and New Zealand (Holsinger, 2009). In comparison to other countries with a similar level of per capita income, Vietnam stood out as a high performer in terms of both education quality and coverage (Dang & Glewwe, 2018). As shown in Table 4-1, the Vietnamese state spent more on education for poorer and disadvantaged areas. In China, even though there has been a dramatic decline in inequality between urban and rural areas in terms of government's education spending, budgetary expenditure per students remains much larger in urban areas (X. Qian & Smyth, 2008; G. Zhao, Ye, Li, & Xue, 2017; L. Zhao, 2009).

In addition, the level of education also matters. Expenditures on primary and secondary levels tend to have more equalised impacts than higher education. In 2012, 65 per cent of Vietnam's government spending on education was on secondary and lower levels of education (Kataoka, Vinh, Kitchlu, & Inoue, 2020, p. 14). On the contrary, since the *Reform and Opening up*, China has focused on higher education (Y. Huang, 2008, p. 246; Y. A. Li, Whalley, Zhang,

& Zhao, 2011; Xiaoyan Wang & Liu, 2011), which are likely to create more immediate contributions to the economy.

Area	Million VND
Urban areas	1.24
Rural delta areas	1.46
Mountainous areas, ethnic minority areas in rural delta areas, remote areas	1.99
Highlands and islands	2.78

Table 4-1: Government's operating expense per student in Vietnam, 2011-15. *Source: (Kataoka et al., 2020, p. 14).*

It would be counter-intuitive to state that China does not possess the capacity or the willingness to provide more equitable public goods like Vietnam, given the enormous financial resources Beijing has committed for social welfare in the past decades. This is evident when examining the patterns of healthcare spending. In 2002, under 10 per cent of the Chinese population were covered by government health insurance. In just a decade, China managed to increase the coverage to 90 per cent of the population (T. Tran, Tang, & Mao, 2021). However, the maximization of population coverage does not come with universal service coverage, which leads to uneven service access of the poor and the population in remote areas. Two indicators reflecting this characteristic, the Catastrophic Health Expenditure (CHE) and the Impoverishment due to Health Expenditure (IHE), increased substantially for the poorest and rural residents in China in the period of 2008-13 (see Table 4-2) while these indicators remained the same or decreased in Vietnam (Mao et al., 2020, p. 7). In other words, the dramatic hike in China's health expenditure does not have an equalisation impact on public service access.

Percentage		**Households experiencing catastrophic health expenditure**					**Household Impoverishment due to health expenditure**				
		China		Vietnam			China		Vietnam		
Year		2008	2013	2004	2008	2013	2008	2013	2004	2008	2013
By location	Rural	10.5	13	6.6	6.5	2.6	3.1	5.9	5.2	4.5	2.2
	Urban	16.5	15.2	3.1	3.1	1.6	9.7	7.3	1.2	1.1	0.7
By income quintile	1st (poorest)	19.5	26.1	5.5	7.8	2.8	9.3	11.9	6.2	7.5	1.8
	2nd	15.5	15.8	6.1	6	2.6	8.9	12	12.1	8.6	6.4
	3rd	13.4	12.4	6.4	5.5	2	7.9	6.9	2.2	1.5	0.3
	4th	12	11.5	5.5	4.5	2	4.8	3.9	0.2	0.1	0
	5th	9	8.1	4.9	3.6	2	2.6	1.7	0	0	0.1
Total		**13.5**	**14.1**	**5.7**	**5.5**	**2.3**	**6.4**	**7**	**4.1**	**3.5**	**1.7**

Table 4-2: Financial protection in healthcare in China and Vietnam, selected years. *Source: (Mao et al., 2020, p. 7)*

In sum, while both China and Vietnam have increased health and education expenditures, Vietnam tends to spend more as a proportion of budget spending and more extensively in terms of population coverage. While social welfare spending has dramatically increased, particularly after Hu Jintao's "Harmonious Society" concept was introduced when he came to power in 2002, it remained an underinvested area in comparison to other countries at the same level of development as China's. Moreover, spending on education and healthcare in China has an "urban bias" and favours areas that are deemed to be more important to economic growth. On the contrary, Vietnam's social welfare spending is more Rawlsian in the way that it prioritises allocating resources to the most disadvantaged areas and sections of the population (the poor and rural areas).

The logical question arising from the above analysis is that, if China does not prioritise social welfare, where does the money go to?

The answer is almost obvious: infrastructure and science and technology. It is no secret that China prefers infrastructure investment over spending on its social safety net (International Monetary Fund (IMF), 2021). China's public capital formation in infrastructure has been growing rapidly since the *Reform and Opening up*, far exceeding its top of the world's GDP growth rate (Xin Wang & Wen, 2019, p. 416). Infrastructure spending was already high right after the critical juncture (around 6.5 per cent of GDP in 1993), yet continued to increase and reached 15-20 per cent GDP for the coastal provinces and municipalities by 2009 (Y. Shi, Guo, & Sun, 2017, p. 26). The obsession with infrastructure even led to inefficient investments that

were popularly known as “phantom urbanisation” (Sorace & Hurst, 2016) and “ghost cities of China” (Shepard, 2015). The overreliance on infrastructure investment also proved to be counterproductive, as an influx of investment after the Global Financial Crisis 2008 led to underused infrastructure and GDP loss, particularly in underdeveloped Western provinces (H. Shi & Huang, 2014, p. 281).

In terms of R&D, China is among the world’s biggest spenders, second only to the US. In 2020, China spent 378 billion USD, an equivalent of 2.4 per cent GDP, on science and technology, which approaches the OECD level and exceeded the average of the 27 EU countries (Figure 4-3). In comparison, it spent only 0.5 per cent GDP in 1996, at the time when its economic size was similar to Brazil and smaller than Italy. It is worth noting that while a big proportion of R&D spending in the West comes from the private sector, the government plays arguably a more significant role in China by direct grants, subsidies, and tax incentives (Hu & Yongxu, 2019; B. Tian, Yu, Chen, & Ye, 2020; Shukuan Zhao, Xu, & Zhang, 2018).

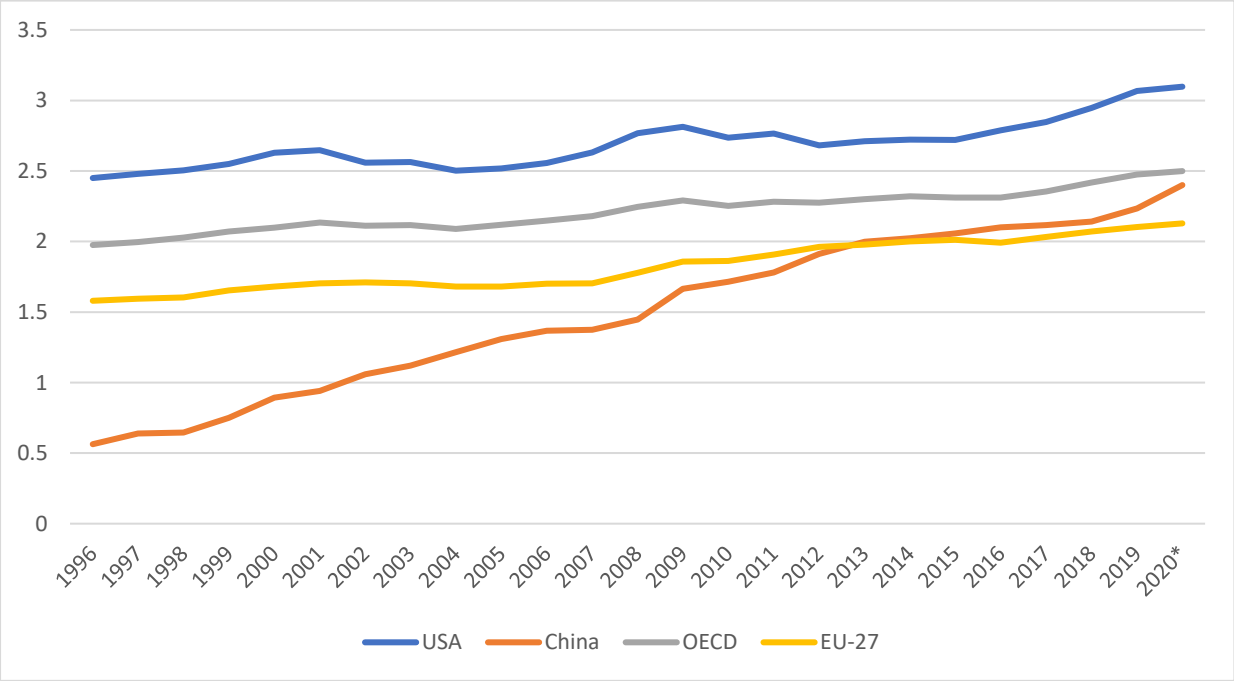


Figure 4-3: R&D spending as percentage of GDP for USA, China, OECD, and EU-27, 1996-2020. *Source: (OECD, 2021), China National Bureau of Statistics. Data entries for USA, OECD, and EU-27 in 2020 are estimated.*

Vietnam, contrarily, has underperformed in both infrastructure investment and R&D. There are no consistent data on R&D spending in Vietnam but looking at the years when the data is available, the number is negligible. In 1996, the government spent less than 1.85 per cent of its total expenditure – equivalent of 0.51 per cent GDP - on science and technology

(Vietnamese Government Office, 2005). That proportion decreased to 1.51 per cent and 0.41 per cent respectively in 2015, despite the country's rapid economic growth during the period (Ha, 2018). The total R&D expenditure, from public and private sources, was just 0.52 per cent GDP as reported by the World Bank in 2017. Looking at the state expenditure from 2006 to 2015 in Figure 4-4, science and technology even decreased in terms of spending priorities.

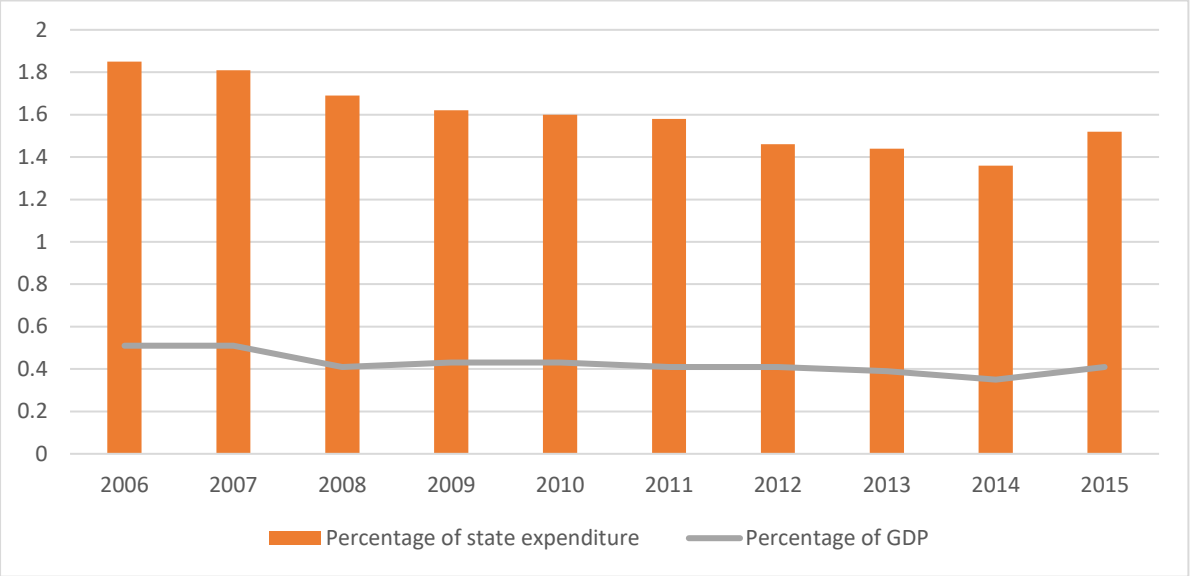


Figure 4-4: Vietnam's government expenditure on science and technology, 2006-15. Note: as percentage of total state expenditure and GDP. *Source: (Ha, 2018).*

On infrastructure, Vietnam faces big challenges in securing sustainable financial resources for infrastructural projects (Nhi, 2014). In surveys and competitiveness reports, investors and businesses frequently complain about inadequate supply of infrastructure such as roads, ports, and railways services (World Economic Forum, 2019). The country stood well below its Southeast Asian peers in terms of logistics capacity, despite being one of the highest spenders on infrastructure as a percentage of GDP in East Asia (expectedly, behind China) (World Bank, 2018). Why does Vietnam have such a poor record while its infrastructural spending is not comparably low? The key problems, as pointed out by Thanh (2010, p. 3), the "project selection, investment coordination and management" of large-scale projects. This resembles the "jackfruit symptom" mentioned earlier in this chapter: the government tends to approve ten projects when one will do (Malesky, Abrami, et al., 2011, p. 414) and spread scarce resources to provinces without careful consideration of efficiency (Hieu Minh, 2017).

In short, the above analysis shows that Vietnam prioritises human capital spending whilst China focuses more on efficiency spending. Even in the area where China's state

expenditure on social welfare manages to close the gap with Vietnam, particularly healthcare, the bulk is spent on urban and the coastal areas where the engine of economic growth is located rather than spread equally across the country. The spending patterns represent the rationale of two governance systems: Vietnam is praised for its spectacular achievements in social welfare (Meyer, 2016) as well as its moderate level of inequality, while struggling with the ability to address the infrastructural deficit and catch-up strategy in technology. China, contrarily, excels in infrastructure and is catching up with the West – even exceeding it in some areas – in terms of science and technology development. However, its growth maximising strategy creates welfare-inferior outcomes (Luintel, Matthews, Minford, Valentinyi, & Wang, 2020, p. 120) and growing inequality. As previously argued, the longitudinal spending patterns reflect the characteristics of governance capacity within each regime. As such, whilst Vietnam's governance capacity is wider in scope, China's governance capacity is less redistributive but more efficient in terms of promoting economic growth.

In other words, Vietnam redistributes the wealth created by economic growth to the general population more extensively than its Northern neighbour does. China focuses more on the area that can bring about visible added values to the economy. This explains why during the reform era, there have been marked differences between Vietnam and China over wealth creation and redistribution. Despite enjoying high economic growth, Vietnam's growth rate has been consistently lower than China after the critical juncture (Figure 4-5). Certainly, there are many potential explanatory factors at play which makes the direct comparison of GDP growth between two countries untenable. However, one of the most plausible explanations is that Vietnam prefers "equality over long-term growth prospects by choking development in its economic engine" (Malesky, Abrami, et al., 2011, p. 416).

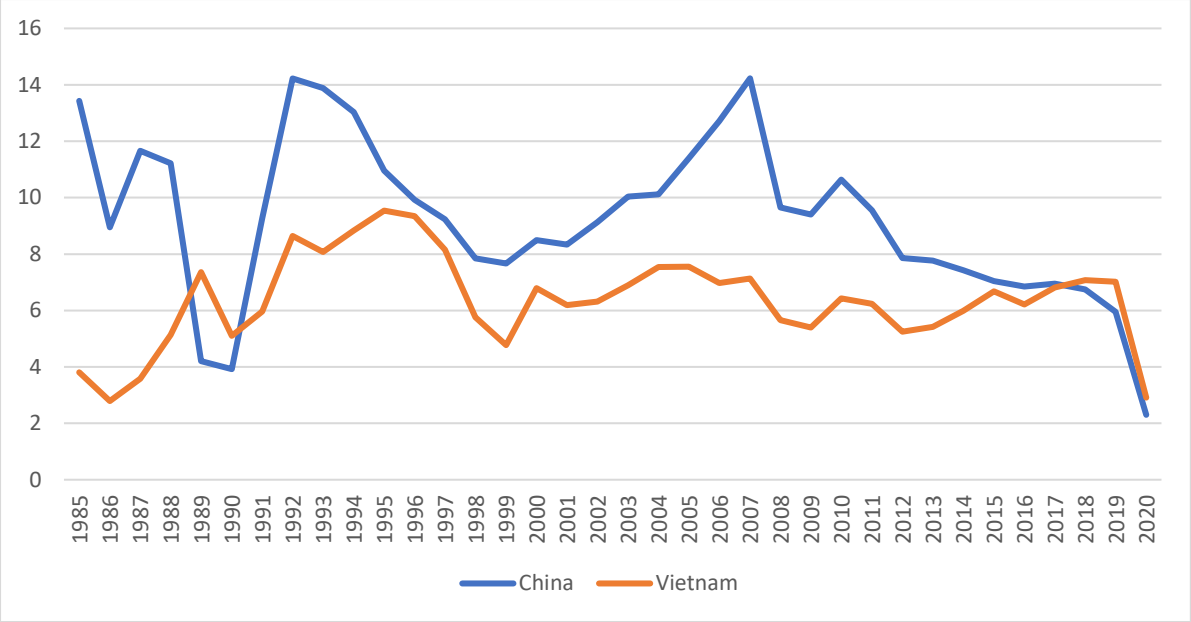


Figure 4-5: Vietnam and China's GDP growth during the reform era. Note: percentage. *Source:(World Bank, 2021c)*

The divergence is reflected most visibly in the different patterns of income inequality in two countries – reflected in the Gini index – which can be seen in Table 4-3. Although both countries have seen an increase in income inequality, China's Gini index is consistently higher than Vietnam's by around five percentage points from the early 1990s to 2019. To establish a solid link between the redistribution policy and income inequality is not simple, and perhaps belongs to the domain of economics instead of political science. In addition, the Gini coefficient is calculated by household incomes which might be affected by different factors. However, government transfers certainly play a key part in reducing inequality (Malesky, Abrami, et al., 2011). Social spending, such as education expenditure, is positively associated with the decrease in the level of income inequality (Sylwester, 2002).

Year	**1992**	**1993**	**2002**	**2004**	**2006**	**2008**	**2010**	**2012**	**2014**	**2016**	**2018**	**2019**
China	37	39	42	47.4	48.7	49.1	48.1	47.4	46.9	46.5	46.8	46.5
Vietnam	35.7	33	42	42	42.4	43.4	43.3	42.4	43	43.1	42.5	42.3

Table 4-3: Gini Coefficients in Vietnam and China, selected years from 1992 to 2019. Note: in percentage. Higher Gini indicates higher level of income inequality. *Source: Author compilation from Vietnam's General Statistical Office, China's National Bureau of Statistics, and CEIC data*[8].

[8] The data above is collected from official sources. Other research studies claim Gini coefficient is much higher in China, ranging from 0.53-0.55 and among the highest in the world (Y. Xie & Zhou, 2014, p. 6928). There are no notable disputes on the Vietnamese data, although the World Bank's calculation is significantly lower than the official data. For example, in 2018 the Vietnam's Gini coefficient calculated by the World Bank was 35.7 (World Bank, 2021d), while the official GSO data stayed at 42.5.

Why do two nominally socialist regimes have such different patterns in governance priorities? To answer this question, it is useful to return to the critical juncture of the late 1980s. In addition to economic opening, the market reforms in the 1980s and early 1990s, to some extent, were also about changing the leaders' mindset on resource allocation and redistribution. In China, Deng's principle of "letting some people get rich first" indicated a clear preference for efficiency over equity in governing practices. In Vietnam, such a clear orientation of redistribution did not emerge. Instead, social inequality appeared to be the biggest concern for Vietnamese leaders during this time, particularly given the food crisis which the country suffered most of the decade. In various party documents during the 1980s, "social stabilisation" remained Vietnam's biggest priority.

The question is how these different principles of resource allocation have been kept after the critical juncture and become the compass for the two regimes' governance capacity in the following decades. I argue that the redistribution of resources is often reflected in the distribution of power: the more representative a system is, the more likely it redistributes expansively to the population. Political accountability, thus, is the determining factor to affect redistributive practices, and subsequently, governance capacity. The next section explores the channels of impact.

Channels of impact

Internal accountability

The question over fiscal allocation is first and foremost about the power relations between the ruling coalition and the selectorate, which in the words of De Mesquita et al. (2003), decides the balance between public and private goods. In the context of China and Vietnam, this is the relations between the central leadership – particularly the general secretaries of the communist parties – and the Central Committee members, who in theory have the right to elect them.

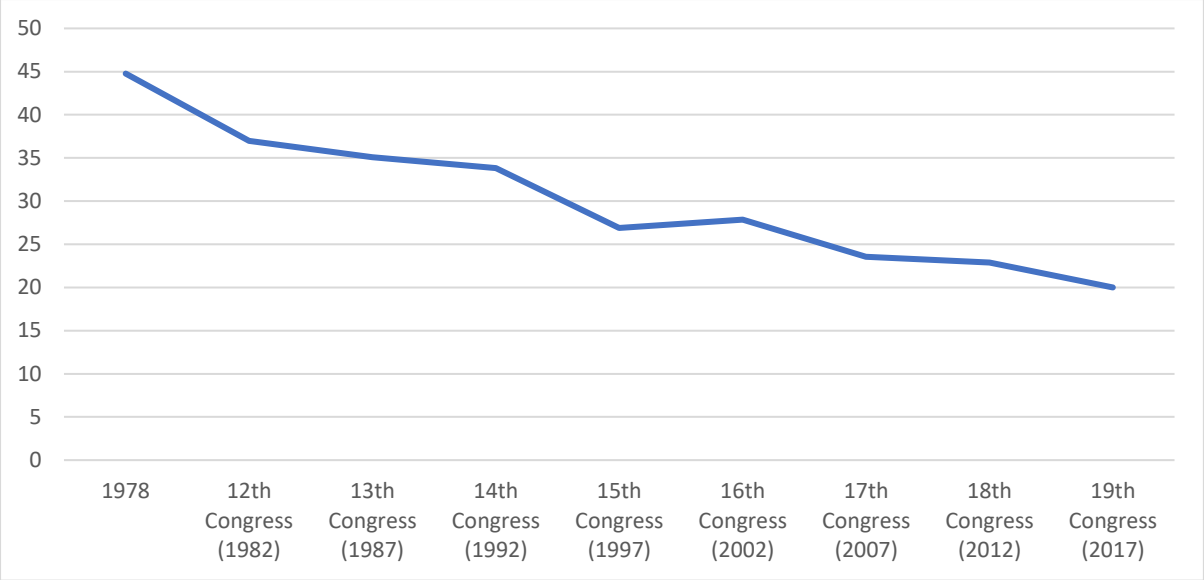


Figure 4-6: The provincial share in the CCP's Central Committee, 1978-2017. Note*:* percentage, full membership only. *Source: Author's compilation from Sheng (2005) and calculation from the CCP's National Congress media release.*

As noted in Chapter 2, after the critical juncture, China's political system embodied a low-accountability equilibrium where central leaders consolidated power at the cost of the selectorates, particularly those in provinces. This development has three significant impacts.

First, because a larger share of fiscal revenue has been transferred to the centre (see Chapter 3), local fiscal capacity has been markedly decreased. In addition, as the power to shape policies of provincial selectorates has been limited (see Figure 4-6 on the declining share of provincial elites in the CC), their spending priorities must be in line with Beijing's grand strategy of development. The sudden increase in government spending on healthcare during the Hu-Wen administration, in a way, reflected this political logic of centralised power in China when healthcare targets became an important indicator to evaluate cadre performance (Mao et al., 2020).

Social welfare, however, is an unfunded mandate. Despite enjoying a much larger share of fiscal revenue, the centre assigned heavy responsibilities of providing nearly all public services to local authorities without providing them with adequate fiscal resources either via revenue assignments or an intergovernmental transfer system (W. Wu, 2010, p. 649). Facing the classical problem of resource scarcity, local leaders had the incentive to spend less on social welfare and boost expenditure on infrastructure projects that could increase local fiscal revenue (D. Liu, Xu, Yu, Rong, & Zhang, 2020, p. 7), which was also the benchmark for performance

evaluation. This led to the situation analysed in the previous section: local authorities appeared to fulfil their social spending responsibilities because these were the criteria for performance evaluation, but the actual service access and quality were uneven and not guaranteed. This practice might be seen as "performative governance" (Ding, 2020). In some occasions, local authorities were obliged for other spending burdens, such as the "forced loans" to the centre for which they never received paybacks (Vivian Zhan, 2009, p. 453). Indeed, while the central share in the revenue has increased substantially since 1994, its share in expenditure has dramatically reduced, particularly since the early 2000s (Figure 4-7).

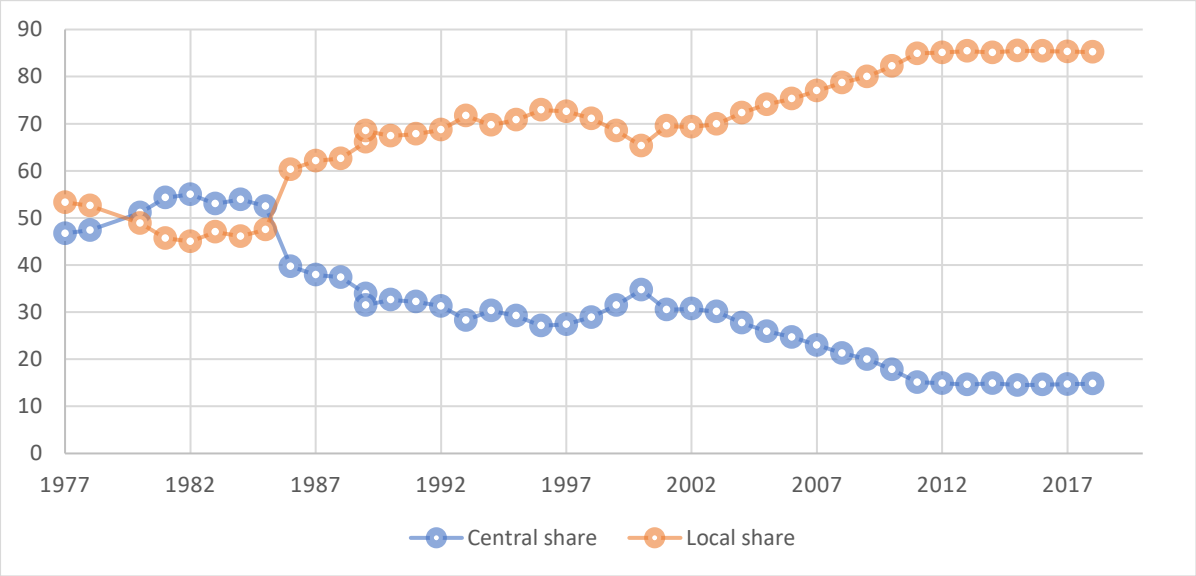


Figure 4-7: China's central - local shares in total expenditures, 1977-2018. *Source: Chinese Ministry of Finance (2019).*

Second, even if the impacts on promotion prospects are not as influential as commonly expected (Shih, Adolph, & Liu, 2012), economic expansion creates financial incentives for cadres to enrich themselves and their protégés (Y. Y. Ang, 2020). That said, even without the centre's policy orientation, the provinces' default mode would be favouring infrastructure spending over social welfare. As summed up by Luintel et al. (2020, p. 128), education and health spending is mostly non-discretionary and does not provide high-profile and immediate impacts as infrastructure projects spending, which could be useful for local cadres' political career.

Third, the central government, backed by its newfound fiscal power, has invested heavily on infrastructural projects, vividly illustrated first by the Great Western Development Plan (GWD) and then the Belt Road Initiative (BRI), which were the source of fierce

competitions for resources among different provinces (Jones & Zeng, 2019, pp. 1421-1423). Targeting to fulfil the "Four Modernisations", the centre also set fixed goals for science and technology spending in different five-year plans as well as promulgated various ambitious plans such as "Made in China 2025" (China Power, 2018). An enormous amount of fiscal resources has been committed for such goals. Made in China 2025, for example, was funded by around 1,800 Chinese government guidance funds (GGFs) which were collectively valued at 418 billion USD (US Congressional Research Service, 2018).

In Vietnam, the VCP has achieved a high level of internal accountability during *Đổi mới*. Before the critical juncture, not all provincial party secretaries were included in the CC. In the 6th Congress, for example, 10 provincial party secretaries were not CC members (Thayer, 1993). The Party chiefs of Hanoi and HCMC were not members of the Politburo. From the 6th Congress (1986) to the 7th Congress (1991), however, the provinces were able to gain more representation in the CC. From the 1990s onward, barring special circumstances, being a provincial Party secretary guarantees full CC membership. Although central leaders – particularly the general secretary – remain influential over promotion to the CC, the way this power is exerted has gradually been institutionalised.

The first noticeable change is the procedure. In theory, the Party's Constitution stipulates that the Congress is the only institution granted the authority to select CC members. In reality, before 1986, senior central leaders were able to intervene and there are cases where cadres were promoted to the CC during plenums. However, this rule has been strictly complied with afterwards. When facing the need to increase the CC membership in the early 1990s, the VCP had to convene a mid-term Congress in 1994 instead of a plenum. In addition, central leaders can no longer decide personnel issues arbitrarily as before but must go through a complex process that involves interactions with lower-level party organisations (specifically, the provincial party's committee and ministerial-level party's committees). Furthermore, the fact that the CC has to organize more plenary sessions towards the end of tenure to deliberate on personnel issues indicates that central leaders are not always able to force their will.

The increasingly standardised elite promotion process in the CC has made alternate membership irrelevant, which differentiates the Vietnamese system from the Chinese one. While there were 49 alternate members in the 6th Congress, the VCP decided to eliminate these positions altogether in the next three congresses. Again, this shows the power of the National Congress, as it has the sole authority to decide the number of CC members (both full and

alternate). Abolishing or reducing alternate membership, which the CC has the authority to promote to full membership, significantly reduces the power of central elites in personnel matters. After 2001, the VCP brought back this practice but allocated only around 20 seats to alternate membership.

Congress (selected time)	6th (7/1987)		7th (9/1992)		8th (1/1998)		9th (8/2002)		10th (8/2007)		11th (8/2011)		12th (7/2016)		Differences, 6th - 12th
Position	**No**	**%**	**No**	**%**	**No**	**%**	**No**	**%**	**No**	**%**	**No**	**%**	**No**	**%**	
Central Party	19	15.3 %	21	14.4 %	27	16.4 %	27	18.2 %	25	15.6 %	27	15.4 %	30	16.7 %	1.3 %
Central Government	35	28.2 %	39	26.7 %	43	26.1 %	33	22.3 %	29	18.1 %	34	19.4 %	32	17.8 %	-10.4 %
National Assembly	6	4.8 %	9	6.2 %	9	5.5 %	9	6.1 %	15	9.4 %	14	8.0 %	18	10.0 %	5.2 %
President Office	4	3.2 %	1	0.7 %	2	1.2 %	2	1.4 %	3	1.9 %	3	1.7 %	3	1.7 %	-1.6 %
Military	15	12.1 %	13	8.9 %	18	10.9 %	15	10.1 %	17	10.6 %	19	10.9 %	20	11.1 %	-1.0 %
Security	6	4.8 %	3	2.1 %	4	2.4 %	5	3.4 %	6	3.8 %	6	3.4 %	4	2.2 %	-2.6 %
Procuracy and Court	2	1.6 %	1	0.7 %	1	0.6 %	2	1.4 %	2	1.3 %	2	1.1 %	2	1.1 %	-0.5 %
Provincial Party	29	23.4 %	45	30.8 %	49	29.7 %	48	32.4 %	56	35.0 %	63	36.0 %	64	35.6 %	12.2 %
Provincial government	3	2.4 %	4	2.7 %	1	0.6 %	1	0.7 %	1	0.6 %	2	1.1 %	2	1.1 %	-1.3 %
Mass organisation	4	3.2 %	7	4.8 %	6	3.6 %	5	3.4 %	5	3.1 %	5	2.9 %	5	2.8 %	-0.4 %
Other (SOEs, social organisations, unknown)	1	0.8 %	3	2.1 %	5	3.0 %	1	0.7 %	1	0.6 %	0	0.0 %	0	0.0 %	-0.8 %
Total membership	**124**		**146**		**165**		**148**		**160**		**175**		**180**		

Table 4-4: The composition of the CC from the 6th to 12th Congress**.**

Source: Author's dataset[9].

Note: The time selected for position screening is after the first session of the corresponding National Assembly. At the selected time, seven (the 6th Congress), 20 (the 7th Congress), five (the 8th Congress), two (the 9th Congress), and one (the 10th Congress) CC members had not yet or no longer hold the membership in those corresponding congresses. The statistics is based on available and accessible data of 626 CC members from the 6th to the 12th Congresses. The largest increases in percentage are in green, and the largest decrease is in yellow.

[9] The dataset, covering the biographies of 626 CC members from the 6th to the 12th Congress, is manually collected and coded from various publicly available sources, including the VCP's websites: https://daihoidang.vn, https://tulieuvankien.dangcongsan.vn, the website on National Assembly member's biography: https://quochoi.vn/hoatdongdbqh/pages/danh-sach-dai-bieu.aspx, local governments' websites, and online newspapers.

All in all, given the changing power balance between central leaders and the seletorate, the VCP possesses a relatively high level of internal accountability. This allows the Central Committee to operate as a de facto parliament where major policies are debated and decided. The plenums normally take place ahead of the National Assembly's meetings where most CC members are delegates or have a strong influence over the delegations from their constituency. As such, Vietnamese selectorate members – particularly the provincial elites – have gained significant power vis-à-vis the centre. During the reform era, the provinces have gained 12.2 per cent voting shares in the CC, at the expense of the central government and the repressive branch (see Table 4-4). By occupying nearly 40 per cent of the voting shares, provincial elites form the largest interest group in the CC. In some cases, particularly in the early days of *Đổi mới*, provincial elites ignored the centre's strictures to "fence break" central planning policies by applying market –oriented practices in their local areas. This is strikingly different from the way provincial autonomy was granted in a gradual, institutionalised process in China (Malesky & London, 2014).

The high level of internal accountability has two major impacts on governance capacity in Vietnam. First, given the diverse interests and strong representation of the provinces in the CC, the centre must accommodate the provincial power in the policy making process, which results in more redistributive policies (Malesky, Abrami, et al., 2011). Although redistribution also includes infrastructure spending, this type of expenditure has an inherent unequal characteristic (the centre, for example, cannot build 63 airports for 63 provinces), which makes approvals for big infrastructure projects in one locality certainly followed by complaints of "unfair treatments" from others.

Although the CC sessions are not televised, these discussions were prevalent during the National Assembly meetings, where representatives from underfunded provinces frequently called for the rechannelling of infrastructure development based on the level of "economic contribution and development". Social spending like education and healthcare, on the other hand, are non-discretionary and strongly correlated to population size and thus can be more easily justified. Indeed, the Vietnamese central government has been prioritizing fiscal expenditure in those areas, particularly by targeted transfer systems which channel resources to provinces. These have brought clear redistributive benefits to provinces, especially poorer ones (World Bank, 2017, pp. 56-57).

Second, adversely, the high level of internal accountability prevents the centre from accumulating an adequate fiscal power to spend on big infrastructural projects or R&D programs. In contrast to China, Vietnamese central government spending usually accounts for around 60 per cent of the total expenditure, a third of which is fiscal transfer to provinces. Furthermore, around 65-70 per cent of the central spending is recurrent (of which education and healthcare account for the majority), which leaves little room for investment spending. Even within this category, priorities are given to the least advantaged areas rather than to those which could provide more economic contributions. In 2000, for example, the total capital invested in rural area accounted for 25 per cent of the total state budget's investment fund (Tho, Duc, Chinh, & Quan, 2000, p. 159).

External accountability

Exploring the impact of external accountability – or popular pressure – on governance capacity is certainly more difficult in authoritarian regimes like Vietnam and China. Within the scope of this section, I will focus mainly on the aspect of redistribution – or whether the popular pressure can influence the way the party-state redistributes resources. The simple premise is that a regime that is more responsive to popular demand also tends to be more redistributive and prioritises resource allocation to human capital spending (healthcare and education) rather than efficiency spending (infrastructure and R&D). In theory, there are direct and indirect mechanisms through which the population can exert influence over state policies. The direct mechanism includes any form of electoral accountability and direct communications or encounters between the population and the regimes. The indirect mechanism indicates accountability activities carried out by representative institutions meditating the relationship between the population and the state, particularly the media and civil society.

There is strong empirical evidence suggesting that elections – or democratisation in a wider sense – help reduce income disparity and increase the level of public goods provision, although the evidence is stronger for public goods provision than for inequality (Acemoglu & Robinson, 2006; Boix, 2003; De Mesquita et al., 2003). Apparently, given the nature of both countries as one-party regimes, it is no surprise that direct mechanism tends to have a limited impact. However, there are few specific circumstances where elections create pressure for better redistribution. In China, the most well-known example is the introduction of direct village elections in the late 1990s. A wide range of studies show that this initiative had positive

impacts on reducing income inequality and public goods provision (Martinez-Bravo, Padró i Miquel, & Qian, 2012; Xiaobo Zhang, Fan, Zhang, & Huang, 2004).

However, upper-level elections in China are non-existent: both local people congresses (LPCs) and the National People Congress (NPC) do not have direct and competitive elections, which makes it difficult to establish a clear accountability mechanism. Thus, while LPCs might be more active than the NPC, there is minimal connection between deputies in both institutions and the people who elected them (Xia, 2008, p. 101). Although the NPC might provide some sorts of "representation within bounds", and some NPC deputies might echo their constituents' concerns over non-sensitive issues, this reflects a top-down accountability mechanism more than a genuine bottom-up pressure (Truex, 2016).

As a result, it is evident that Chinese version of "authoritarian responsiveness" is dependent on the centre's policy preference: while the Hu-Wen administration tended to be more responsive and open, the Xi rule seems to be less tolerating of popular dissatisfaction. For example, when social stability became an increasing concern, performance evaluation of local leaders was linked to their ability to control mass incidents (Yongshun Cai, 2010, p. 187). Consequently, the upward trend of mass incidents was reversed in the mid-2010s ((Jay Chen, 2020, p. 645; D. Yang, 2017). In addition, voicing citizens' concerns is different from actually doing something about it. Some welfare programs, such as the Minimum Living Standard Guarantee Scheme (*Dibao*), are prioritised to maintain political order via the mechanism that Jennifer Pan calls "repressive assistance", where welfare is provided in exchange for political quiescence (Pan, 2020, pp. 112-138).

The direct mechanism via legal channels works better in Vietnam in providing the population with the opportunity to pressure the state on redistributive practices. The regime's electoral system allows citizens to directly vote their representatives at all levels from the grassroots (village) to the national level (National Assembly). Although elections in Vietnam encounter the same legitimacy concerns as in China, these still provide some sorts of bottom-up accountability, as representatives must at least go through a procedural duty mandated by the law, such as frequent meetings with their constituents, receiving their petitions or complaints, or directly communicating with them in emergency issues.

Many heated issues, particularly land seizures in rural areas, were raised and solved during the meetings between the NA representatives (particularly representatives who hold high positions) and their constituents. In addition, cadres need votes, because they risk being

disciplined if they do badly in national elections (Malesky & Schuler, 2011). The NA representatives, thus, tend to be vocally supportive of policy proposals that are more redistributive in nature. In this sense, they share similar characteristics with their Chinese counterparts (Truex, 2016).

However, the key difference is that the Vietnamese NA is more independent and powerful than the Chinese NPC. There is no occasion when the NPC vetoed the CCP's decisions (although it did reject a bill proposed by the State Council in 2000 (Cabestan, 2006, p. 64)), while the Vietnamese NA vetoed the CC's decisions in several notable cases, such as the rejection of the CC's nomination of Dao Dinh Binh as the Minister of Transportation in 1997, the rejection of the North-South high-speed railway project in 2010, and the decision to stop a nuclear power project in 2016. The pro-poor nature of the NA makes the government less likely to propose policies that are considered as pro-rich. In several cases when such policies were raised, such as the proposal to increase the value-added taxes in 2018, pressures from both the public and the NA prevented these from being implemented (Q. T. Nguyen & Nguyen, 2020).

Another direct mechanism is via "unrecognised" channels, given that the population has no choice in the ballots and the limited effectiveness of using permitted channels (Yongshun Cai, 2010). In China, although the data on popular protests is limited, a wide range of research shows that there has been a considerable number of mass incidents since the 1990s. Jay Chen (2020, p. 647), for example, notes that during the period 2000-19, there were at least 12,000 "protest news events" that occurred in China, 2,500 of which were large-scale (more than 1,000 participants). Goebel (2019, p. 27) recorded 74,452 protests from June 2, 2013 to June13, 2016. However, the limit of collective action means that while policy adjustments are rare, protests are often met with heavy-handed responses from the authorities. Successful examples like the Wukan protests are outliers, and even with these cases, the real impacts were limited (Sun, 2019). Since Xi Jinping came to power in 2012, the regime has further toughened its responses to popular protests (Fu & Distelhorst, 2017; Jay Chen, 2020).

Similar to China, mass protests and demonstrations are rare and quickly repressed in Vietnam. However, when they break out, the impacts on the regime's policies are more consequential. Although there is no available data on mass protests in Vietnam, we can look at notable cases for illustration. In the Thai Binh unrest in 1997, as many as 48,000 farmers stormed into local government buildings and captured senior cadres in response to what they

saw as rampant corruption and unbearable financial burdens imposed on them. The VCP responded not by repressing the protesters, but by punishing more than a thousand local officials (H. H. Nguyen, 2016, pp. 88-91). A year later, the Politburo issued the Directive on Grass-roots Democracy, which aimed to address the very problems that created the farmers' grievances. In 2015, nearly 100,000 workers went on strike in Ho Chi Minh City to protest against the amendment of the Social Security Law, which would not allow employees to take a lump-sum payment from the Social Security Fund (BBC World Service, 2015). Under the pressure, the National Assembly had to suspend the amendment in a "special resolution", although the law was passed less than a year before (Vu Thu, 2021).

A similar pattern happened in 2018, when a series of protests against the draft Law on Special Economic Zones (SEZs), which was believed to allow Chinese investors to have a 99-year land lease, broke out across Vietnam. In an unprecedented move, the NA decided to scrap the initiative indefinitely, although the draft law was deemed to realise the VCP's Congress resolution and had the full support from both the CC and the Politburo. Other successes of the rising civil movements in Vietnam include the Tree Movement in 2015, which mobilised a large proportion of both online and off-line citizens and helped reverse a controversial felling program in Hanoi (N. A. Vu, 2017). Certainly, there are also cases where popular protests failed to catalyse policy adjustments and were violently repressed – the most recent case was the Dong Tam land protest just outside Hanoi in 2020 (BBC, 2020a). However, given the relatively free-flow internet environment in Vietnam where any incident can be recorded and spread like wildfire on Facebook, the regime is usually restrained in using coercive methods. It is difficult to establish a concrete link between unruly politics and redistribution policies, not least because the intolerant attitude of the authoritarian regimes towards mass protests. However, we can argue the other way around that the lack of mass incidents itself vindicates the redistributive nature of the Vietnamese state, as it prevents mass incidents from happening in the first place.

The indirect accountability mechanism involves the role of civil society and the media. In China, these channels, despite enjoying a brief period of "soft/consultative authoritarianism" during the early 2000s (Teets, 2013), have never reached the level of influence they had after the Tiananmen Incident. After 2012, the environment for civil society has further deteriorated as political control became more centralised (Qiaoan & Teets, 2020). In Vietnam, the budding civil society as well as a more diverse media platform appear to be effective in policy advocacy, even in some sensitive areas such as tax reduction and land ownership, as in the case of the VAT proposal illustrated above (K. G. Nguyen et al., 2017). In a sense, a relatively freer civil

society environment in Vietnam can play a gatekeeper's role in preventing the regime from arbitrarily imposing unpopular policies.

In sum, it can be argued that there are subtle yet significant deviations from China in terms of both direct and indirect mechanisms of external accountability in Vietnam. Although more empirical evidence is needed, this might explain why Hanoi pays more attention to public preferences and thus redistribute more. As argued in Chapter 1, there are potential links between internal and external accountability that could explain a more tolerant approach in dealing with mass dissatisfaction. In Vietnam, a more collective leadership means no one is powerful enough to make quick and politically sensitive decisions, and thus the responses tend to be more reconciliatory. Elites have different interests, personality, and motivations. Many of them are not willing to take responsibility for controversial decisions. During the SEZ protests in 2018, there were suggestions on a "tough" approach as an elite police team was sent to Binh Thuan province to "stabilise" the situation (Nguyen Thanh, 2019). However, the CC ultimately decided to back down. In China, a personalised system allows the paramount leader like Deng Xiaoping to make swift decisions, even unpopular ones, as shown in the case of the Tiananmen massacre (Nathan, 2001).

A tale of two cities: Shanghai versus Ho Chi Minh City

In order to compare the two countries' divergent governance capacity, it is useful to compare the development strategies of their economic centres, Shanghai and Ho Chi Minh City (HCMC). Under the central planning system before the market reforms, Shanghai and HCMC were not treated with any privilege from the central governments, as both regimes emphasised heavily equal redistribution among different localities.

In the case of Shanghai, the Chinese government at the time was concerned with the risk of social instability and thus even prevented the growth of the city's population after the Cultural Revolution (Naughton, 2006, p. 128). In the 1980s, early special treatments were given to special economic zones and provinces in the South instead of Shanghai (G. Tian, 1997). For HCMC, despite being largely undamaged by the war, the city suffered from chronic social and economic crises as a consequence of the disastrous nationalisation program which saw its manufacturing capacity cripple. In addition, the mass outflow of Chinese Vietnamese in the late 1970s (*Nạn Kiều* – the Chinese Vietnamese Crisis) – who were the backbone of HCMC's economy at the time – certainly worsened the situation.

Despite these, both cities contributed substantially to the economies of China and Vietnam. Shanghai was considered as the cash cow of the nation which carried the fiscal burden for the rest of the country. For the late 1970s and the early 1980s, for example, Shanghai had to remit 90 per cent of its total revenue to the centre (Oksenberg & Tong, 1991, p. 25). In the word of L. T. White (1989), Shanghai was "Shanghaied" during this period. Ho Chi Minh City remained Vietnam's economic locomotive: the "fence-breaking" policies which set the pretext for *Đổi mới* were initiated in the city (Dang Phong, 2009).

However, after the critical juncture, fortunes of the two cities diverged. After being left out in the early period of reform, the central government considered Shanghai the "dragon head" of the new phase of economic development in the late 1980s and early 1990s. This came with an influx of direct central government finance, preferential loans from state-owned banks, and an increasing share of retained local revenue (Wei & Leung, 2005, p. 22). From getting a "rotten deal" in the 1980s, Shanghai received much more resource transfers from Beijing than other economically important provinces such as Guangdong (Y. Huang, 2008, p. 231). From being the cash cow, Shanghai became the beneficiary of financial resources remitted from the rest of the country. As meticulously analysed by Y. Huang (2008, pp. 175-232), this marked a national shift from a redistributive, pro-poor policy to favour a more selective, pro-urban development trajectory, which went in line with the principle of "letting some people get rich first". By initiating the Pudong New Area project, which granted the new development area of Shanghai the same privileges as other SEZs, Shanghai became the new face of the *Reform and Opening up* (G. Tian, 1997).

The model of economic development within Shanghai itself reflected this paradigm shift. From a relatively liberal environment for private entrepreneurship, Shanghai economy became heavily state-led in the 1990s. In the subsequent two decades, even when Shanghai transforms into a truly world-class city which attracts the biggest multi-national companies, SOEs have remained the backbone of Shanghai economy (Figure 4-8). By 2020, local SOEs accounted for a quarter of the added value of its GDP, while contributing 20 per cent of its tax revenue (Fuerji, 2021). Nine SOEs (including central SOEs based in Shanghai) were in the Fortune Global 500 list in 2020. That did not include the mixed ownership enterprises, which became the most dominant form of state presence in the Chinese economy since the announcement of the SOEs reform in 2013 (accounting for 87 per cent total assets of state-controlled enterprises). By 2019, Shanghai local authorities controlled a number of domestic and foreign listed state-owned companies which had the aggregate value of 2.8 trillion yuan

(US$393.9 billion) (Yixuan, 2019). Two most important projects, the Pudong New Area and Shanghai Free Trade Zone, were largely funded by the central government, which distinguished them from earlier SEZs in Guangdong and Fujian.

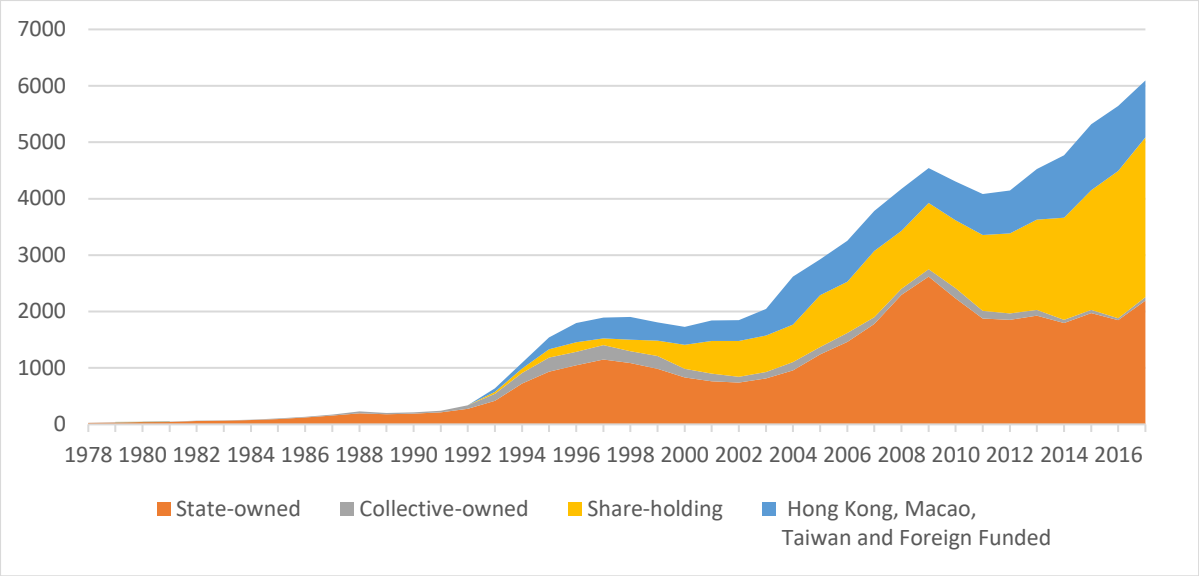


Figure 4-8: Shanghai's fixed assets investments by economic types, 1978-2017. Note: the state holds a significant proportion of shares in many share-holding companies as a result of the mix ownership reform. In 100 million yuan. Source*: Shanghai's Statistical Yearbook 2019).*

It is no surprise then that Shanghai excels in infrastructure development as well as R&D, as these two areas are considered priorities by the government. From 1990, infrastructure spending increased from just 4.72 billion yuan (around one billion USD at the 1990 exchange rate) to the peak at 211.35 billion yuan in 2009, an equivalent of 13.8 per cent of its gross regional domestic product (GRDP), before fluctuating as a result of the Global Financial Crisis (see Figure 4-9). Although the number sharply decreased afterward because of the economic slowdown, it has remained a high proportion and is slightly recovering.

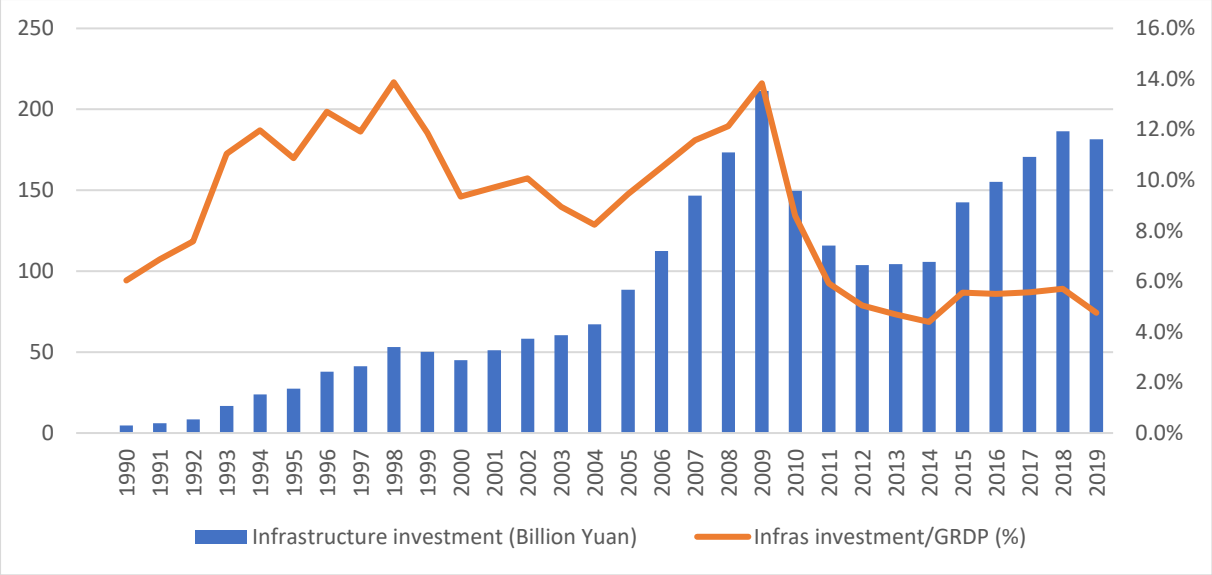


Figure 4-9: Shanghai's infrastructure investment, 1990-2019. Note: in billion yuan and as percentage of GDP. *Source: Shanghai's Statistical Yearbook (1991-2020). Retrieved from Y. Luo et al. (2021).*

Expenditures in R&D as a percentage of its GRDP increased from 1.3 per cent in 1990 to four per cent in 2019, yet with Shanghai's GRDP grew exponentially during this period, the absolute increase was more than 150 times (from one billion yuan to 152.4 billion yuan) (Figure 4-10). The number of patent applications rocketed from 11,337 in 2000 to 173,586 in 2019.

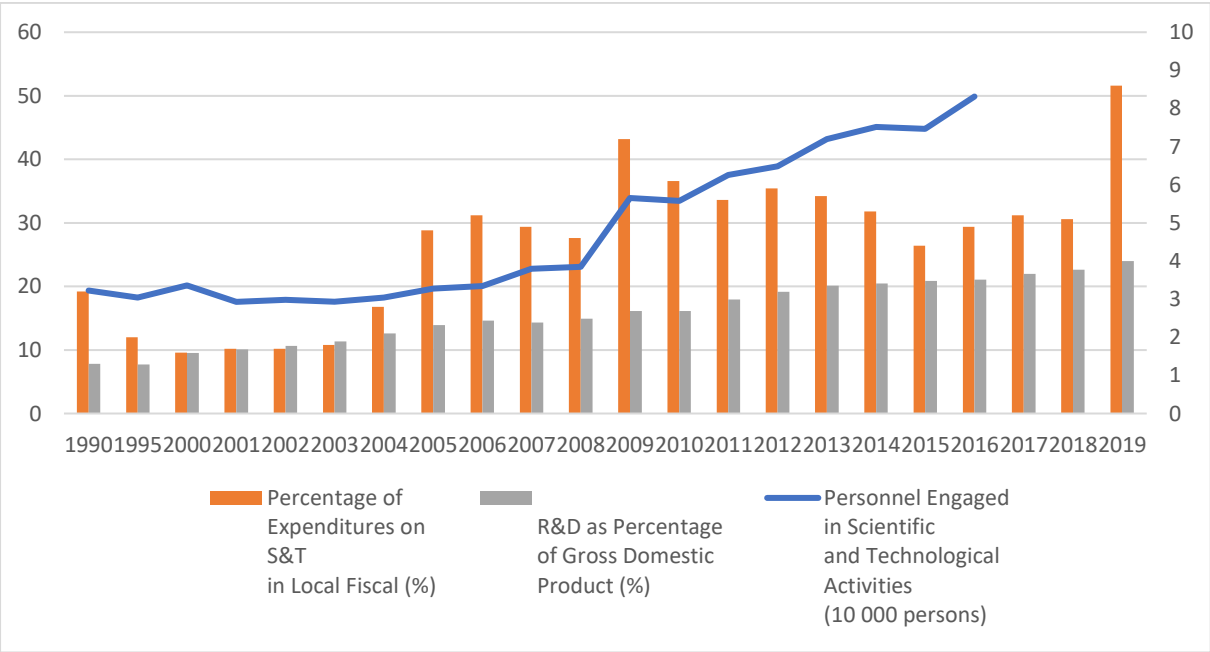


Figure 4-10: Shanghai's expenditures and human resources on R&D, 1990-2019. Note: Data on personal engaged in S&T activities after 2016 is not yet available by 2021. *Source: (Shanghai's Statistical Yearbook, 2019).*

Shanghai also regained its political significance within the system, as its party chiefs reacquired the politburo membership in 1987. Its two leaders at the time, Jiang Zemin and Zhu Rongji, moved up to be the paramount leader and the premier in the 1990s. The "Shanghai clique", which was believed to endorse economic growth-focussed policies (Breslin, 2008; Duckett, 2019), became one of the strongest factions within the CCP.

The shift in its economic development, however, did not result in significant improvements in welfare of Shanghai's population (Y. Huang, 2008, pp. 182-187), at least on par with its prosperity. Shanghai's education spending, for example, only stood around three per cent of its GRDP during the 2010s when expenditures on both infrastructure and R&D peaked (Lin, Zhang, & Shi, 2009, p. 58). From 1978 to 2019, Shanghai only added one more doctor in the number of doctors per 10,000 population (30 to 31) (*Shanghai's Statistical Yearbook*, 2019), lower than the personnel engaging in R&D activities (50 in 2016, Figure 4-10). Inequality, particularly between urban and rural population, has gradually expanded since the critical juncture (Figure 4-11). In the word of Huang Yasheng (2008, p. 183), "Shanghai is rich but an average Shanghainese is not".

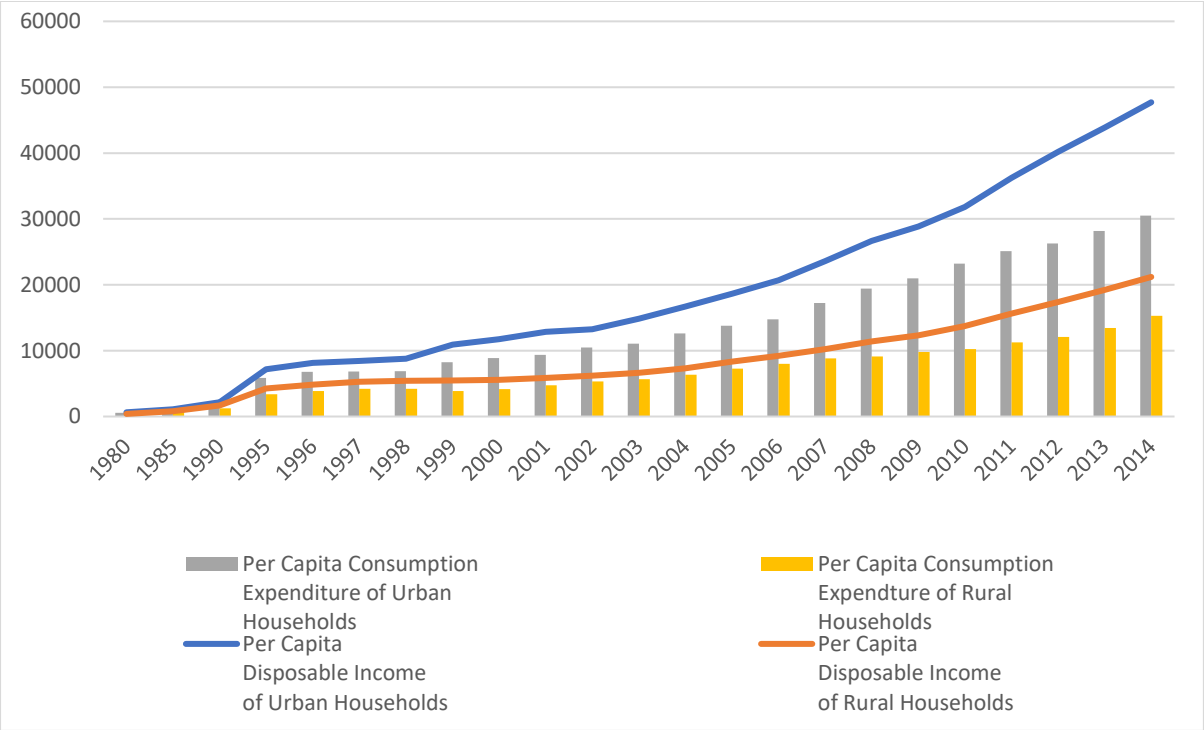


Figure 4-11: Disparities between urban and rural households in disposable incomes and consumption expenditure in Shanghai, 1980-2014. Note: in yuan. *Source: (Shanghai's Statistical Yearbook, 2019)*

In sum, Shanghai benefited from the policy turn of the centre, which moved away from a pro-poor policy to prioritise efficiency spending. The privilege of Shanghai also reflects the

strong political will from the top leadership, which has been able to resist the redistributive pressure. In a system where collective leadership prevails, as will be seen shortly in the case of Vietnam, this would not be possible.

The case of HCMC is opposite. Despite enjoying a brief period of more preferential treatment, the city has been in constant conflicts with centre over development policies during *Đổi mới* (Huynh, 2020, p. 97), particularly over the allocation of shared revenue. Being the country's most prosperous region, HCMC continues to be the cash cow after the critical juncture. Accounting for 25 per cent of the country's GDP, it contributed nearly 30 per cent of the total state budget. However, among a few provinces which contribute fiscal revenue to the centre instead of getting subsidised (16 out of 63 provinces in 2018), HCMC consistently has the lowest retainment rate. In 2021, HCMC was allowed to keep 18 per cent of its shared source of revenue with the centre[10]. The capital Hanoi, which can be seen as having the same level of economic importance as HCMC, retained 35 per cent (Figure 4-12).

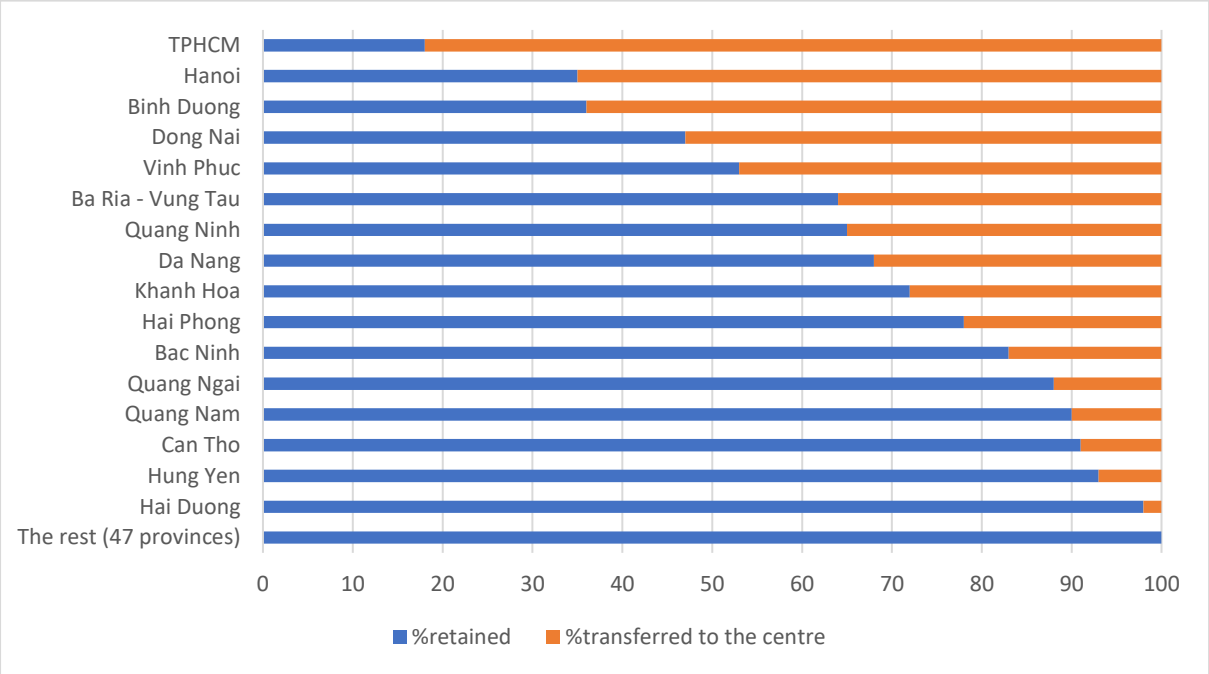


Figure 4-12: Percentage of fiscal revenue retained at the provincial level, 2021. *Source: Vietnam National Assembly (2021).*

[10] In Vietnam's budgetary system, there are three types of revenue at the provincial level: 1/revenue that must be transferred 100 per cent to the centre (mostly tariff-related); 2/revenue that the province can keep 100 per cent (resource tax, land lease tax, fee, etc.); and 3/shared revenue: this type generates the most revenue, including VAT, corporate income tax and personal income tax. Different from the Chinese system where there is a fixed arrangement on shared taxes, the Vietnamese National Assembly decides a percentage of retainment rate of all shared revenues for local government in every five years (during what is called "budget stability period").

More frustratingly, the retainment rate has declined sharply since Vietnam's first Budget Law became effective in 1997 (Figure 4-13), making it struggle to meet the demand of a growing metropolis of more than 10 million people.

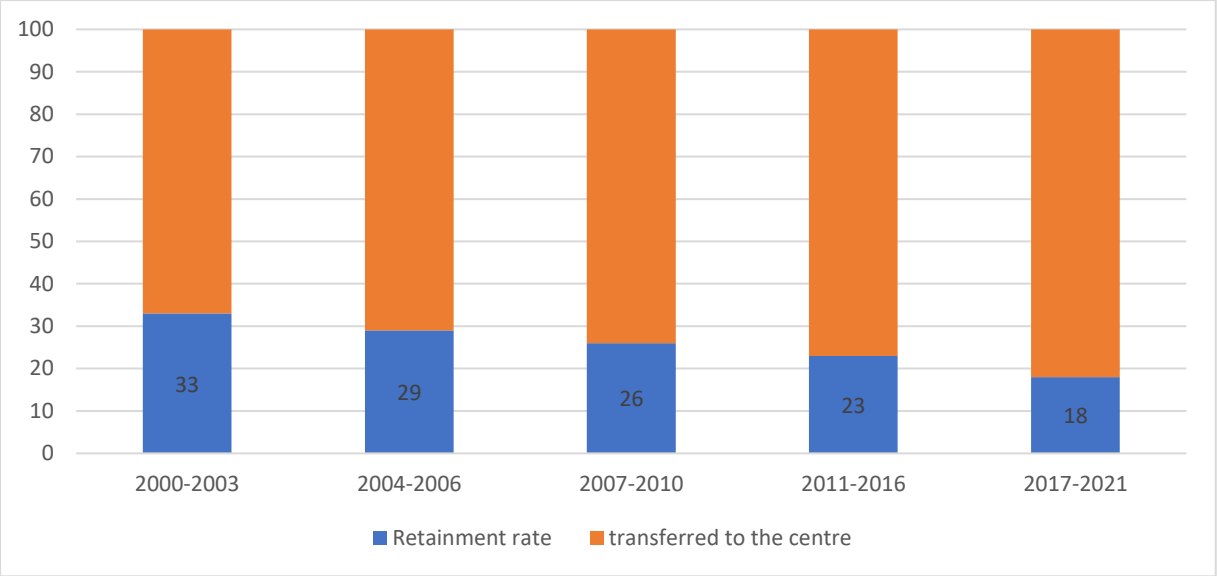


Figure 4-13: HCMC's retainment rate, 200-21. *Source: Author's compilation from Vietnam Ministry of Finance's data.*

Lacking financial resources for key urban infrastructure projects has always been the major concern for the city, particularly when it faced multifaceted problems of poor urban services, inefficient public transport systems, and flooding, among others (Huynh, 2020, p. 88). By 2020, HCMC had the highest number of drug addicts and HIV positive cases (accounting for 16 per cent of the national number despite its population accounted for 9.6 per cent), as well as having the most numbers of criminal trials (accounting for 20 per cent of the national number) (Vien Su, 2017).

The centre does not help much by failing to provide adequate fiscal resources. From 1994 to 2020, the proportion of state investment in total infrastructure investment in HCMC reduced from nearly 50 per cent to just 17 per cent. State budget only accounted for around 14 per cent of the total investment (Figure 4-15). The state infrastructure investment per GRDP was 4.7 per cent in 2008, at the time of Vietnam's biggest economic boom after *Đổi mới*. At the same year, Shanghai's infrastructure spending was equivalent to 13.8 per cent of the city's GRDP. The share of projects managed directly by the centre declined from 13.7 per cent in 2005 to 5.4 per cent in 2019 ((HCMC Statistical Office, 1994-2020). It is not surprising that HCMC must seek other sources to finance its needs: by 2014, HCMC accounted for 38 per

cent of the total local debt in Vietnam (Morgan & Trinh, 2016, p. 13). The 2021 Covid outbreak illustrated the fiscal constraints of HCMC. As the hardest hit province in Vietnam, HCMC asked for 28,000 trillion VND (1.2 billion USD) for an emergency fund. Instead, it was told by the Ministry of Finance to "find alternative local sources" (Hanh Nguyen, 2021). With a tight budget, it is no surprise that HCMC's investment in science and technology (S&T) is negligible. Its budget spending for S&T in 2019 was 0.96 per cent of total spending, a fraction of the 8.6 per cent in comparison to Shanghai.

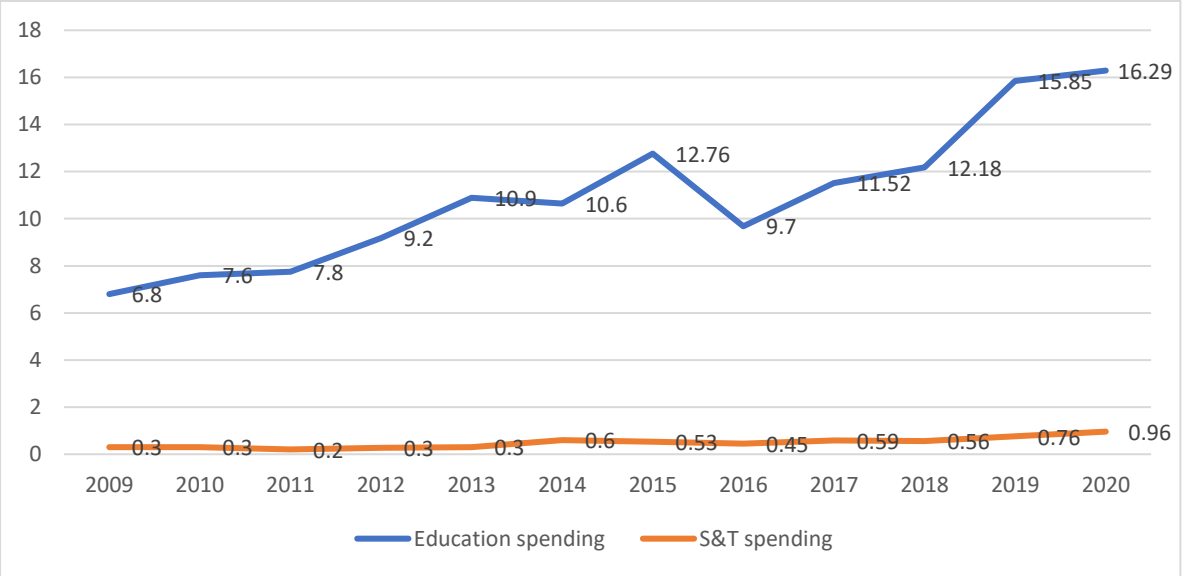


Figure 4-14: HCMC 's education and Science & technology (S&T) spending, 2009-20. Note: as percentage of total budget spending. *Source: Author's compilation from HCMC Statistical Office (1994-2020).*

The contrast in government policies between Shanghai and HCMC is vividly illustrated in the Thu Thiem Urban Area project. Inspired by the success of Pudong, in the early 1990s, HCMC leaders wanted to build an SEZ, hoping to replicate Shanghai's initiative. When proposing the project to the centre, Hanoi gladly accepted, but not without a caveat: HCMC must secure its own funding (Huynh, 2020, p. 92). Without the centre's support, Thu Thiem became too big a bite that the city could chew. Lacking financial resources, HCMC resorted to use the Build – and – Transfer (BT) scheme, which granted businesses the land use rights in Thu Thiem in exchange for the infrastructure they would build. However, the scheme was marred by corruption allegations, which brought down generations of senior city leaderships in the anti-corruption campaign (Tran Xuan Tinh, 2020). After nearly 30 years, the project remains unfinished.

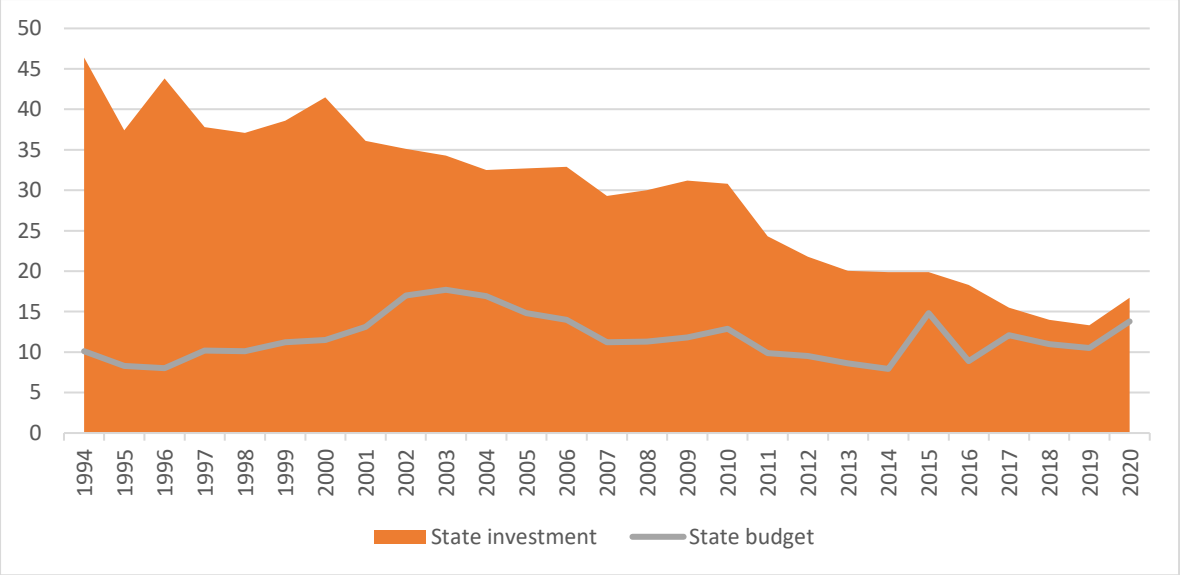


Figure 4-15: Proportion of state investment per total investment in HCMC, 1994-2020. Note: percentage. State investment includes investment from state budget, SOEs, and other state-related programs. *Source: Author's compilation from HCMC Statistical Office (1994-2020).*

It is beyond doubt that HCMC indeed had a "rotten deal" after the critical juncture. It is normal to assume that the centre treats the city unfairly, as a popular narrative often heard among the city's intellectuals (Tran Hoang Ngan, 2020). However, it is intriguing that even central leaders admitted that HCMC needs to be prioritised more for development. In 2020, the then head of the CC's Economic Commission Nguyen Van Binh, who advised the VCP on economic policies, emphasised that the Commission "absolutely supported" the increase of budget retainment rate for HCMC (Ta Lam, 2020).

One might suspect central leaders only pay lip service to the city's complaints. Nevertheless, HCMC, as the cradle of Vietnam's "reformist" faction, had four of its former leaders later promoted to the country's top leaderships, including the face of *Đổi mới*, general secretary Nguyen Van Linh, two reformist prime ministers Vo Van Kiet and Phan Van Khai, as well as the president Truong Tan Sang. Despite not having direct professional experience in the city, the powerful PM Nguyen Tan Dung built a close relationship with the city leadership, particularly the long-time HCMC party chief Le Thanh Hai. In other words, theoretically HCMC does not lack political capital at the centre to pivot development policies to its favour the way Shanghai was able to do with the power of the Shanghai clique. Yet even under the premiership of Nguyen Tan Dung, who was considered as the "first among equals" instead of the general secretary with his expansive patronage network, HCMC failed to receive any outstanding preferential treatments from the centre. Such failures highlight the deadlock of the

collective leadership system in Vietnam, where the priority is resource equalisation. This is not only a mutual understanding and informal norm among the regime's elites but guaranteed by the country's written legislation. Vietnam's State Budget Law emphasises the need to either "reduce central subsidy or increase the budget transfer to the centre for…equal development among provinces" (Vietnamese National Assembly, 2015).

The opposite cases of Shanghai and HCMC illuminate the different approaches in building governance capacity in China and Vietnam. While the preferential treatment of Shanghai shows China's emphasis on efficiency, HCMC's struggles displays Vietnam's propensity to equal distribution. Even within the city governance models, the nature of the regime's distributive practices is evident: the share of education spending in the HCMC's budget expenditure nearly tripled from 2009 to 2019 (6.8 per cent to 16.3 per cent), while S&T spending stagnated at below one per cent during the same period (Figure 4-14).

Alternative explanations

The above analysis explains how political accountability affects governance capacity in Vietnam and China, reflecting in the way resources have been allocated and prioritised after the critical juncture. There are, nevertheless, alternative explanations for such a divergence.

The first alternative is the state's political ideology. London (2014, p. 104) argues that Hanoi is more determined to preserve the "universalist principles of social citizenship" and equal redistribution than its much wealthier neighbour. In other words, the Vietnamese regime could have rechannelled its fiscal resources into efficiency-improving areas but decided not to do so in favour of a more redistributive policy. The decision was more dependent on political culture and the elite's own belief than external and internal pressures. After all, while Deng Xiaoping's "let some people get rich first" is the compass for China's development during the market reforms, Vietnamese leaders often referred to Ho Chi Minh's famous quote "we should not be afraid of shortage (of goods), but we should be afraid of injustice (in redistribution)" (Cat Huy Quang, 2020). In this sense, ironically, the Vietnamese paramount leader seemed to uphold Confucius' ideals more closely than his Chinese counterpart[11]. Indeed, various party documents since 1986 often emphasised inequality as the downside of the market-oriented economy and called for more equal redistribution. The biggest challenge of this explanation is

[11] Ho Chi Minh seemed to rephrase a Confucius's famous quote in the Analects: "He is not concerned lest they should be few, but only lest they should be divided against one another."

the source of the state morality. It does not come out of thin air. Both China and Vietnam are under the great influence of two doctrines that champion the state responsibility to take care of its citizens – Confucianism and communism – and thus both claim a paternalistic, high moral ground on their own people. If we only look at the face value of the regimes' policy statements, it is impossible to explain why the Vietnamese state can be seen as more "moral" than the Chinese state. Furthermore, this explanation cannot explain the reversal of China's social policy before and after the market reform, particularly after the critical juncture (Y. Huang, 2008).

A related alternative suggests that the dynamic of redistribution is dependent on the leadership's policy preferences. This means the divergence in governance capacity is simply a choice of the ruling elites, instead of the accountability pressure. In authoritarian regimes like Vietnam and China, this is plausible as rulers amass has the power to dictate the rules of the game. Indeed, during the Hu-Wen administration (2002-2012), there was a resurgence of a new welfare regime in China when the government increased a substantial amount of spending on healthcare and education to accommodate Hu Jintao's "Harmonious Society" agenda. Or more recently, Xi Jinping announced in August 2021 a grand social engineering scheme – known as the "Common Prosperity" – to "reasonably adjust excess incomes" (Hass, 2021) and thus to reduce the country's rampant income inequality. In Vietnam, PM Nguyen Tan Dung intended to reallocate state resources into SOEs and "key economic regions" in order to boost economic growth during his first tenure (2006-2011), believing the system of equal development was not efficient enough to move the country forward.

Key actors like Hu Jintao, Xi Jinping, or Nguyen Tan Dung could indeed have a huge impact on how the systems are run. However, the main question is to what extent those actors can exert their influence, so that the system's logic is swayed into a different direction. What if Deng Xiaoping chose a more equalised approach to economic reform and the Vietnamese leaders chose to prioritise fiscal resources to their economic frontiers? To examine the paths not taken is not easy, and perhaps will never be fully possible. The divergence in governance capacity in Vietnam and China were the results of the ruling elites' decisions during the critical juncture; nevertheless, once set off, those decisions created self-enforcing "increasing returns" processes independent from their origins. Accountability pressure – both internal and external – arose from these processes. Each type of governance capacity required a different set of institutions, which in turn created entrenched interests that were resistant to changes. Under pressure from both the public and the ruling coalition, Nguyen Tan Dung's ambitious SOEs

plan was scrapped just two years after being introduced. Hu Jintao's Harmonious Society was tremendously successful in improving welfare for hundreds of million Chinese. However, as mentioned in the case of healthcare expenditure above, access to services remained deeply unequal and favoured urban and industrial areas rather than having an equalisation impact. The institutional interlock after a critical juncture will certainly not resist to change forever. Leaders can create what Gerschewski (2021, p. 226) calls "endogenously driven ruptures" – the type of institutional change that can be caused by endogenous shocks such as a powerful actor. Xi Jinping is certainly powerful enough to play that role, yet it is still early to speculate whether his "Common Prosperity" can be seen as a genuine effort to redistribute wealth, and if that is the case, whether his norm-breaking ambitions will be successful.

The third alternative involves a cultural explanation. In more detail, the Chinese population has a higher tolerance towards income inequality and thus does not put pressure on the regime for more redistributive practices. This allows the ruling elites to prioritise resources to different areas other than human capital spending. This explanation is justified by two main arguments. Whyte (2010) argues that pre-reform China, despite being nominally equal, was deeply stratified and highly unpredictable, and thus not desirable. Using a national survey in 2004, he concludes that the majority of respondents accepted the raging inequality in China because it seemed to be fairer than the previous system in providing the opportunity for upward mobility by merits and hard work (Whyte, 2010, p. 182). Via the tunnel effect, one person might demand less redistribution if he sees someone indeed experience upward mobility even if he himself does not (Hirschman & Rothschild, 1973). Second, thanks to the citizens' high trust in the authorities, they accepted the premise that the "temporary" inequality was inevitable to reach the ultimate prosperous society for all. The Chinese government, after all, has one of the highest levels of trust from its citizens (C. Wu, 2021).

Unfortunately, there are no comparable surveys to investigate whether the Vietnamese population would hold similar opinions. Yet given the identical development contexts both pre- and post-reform, it is not unreasonable to assume the Vietnamese population might share the same views towards both inequality and trusts in the governments. Similar to Beijing, Hanoi also has a very high level of public trust. It is not easy, then, to use the cultural explanation to account for the divergence in governance capacity in Vietnam and China. Furthermore, this explanation is deemed to be cherry-picking: one could argue convincingly the other way around that the general cultural tradition of the Chinese society, from Confucius to Mao Zedong, embraces equality more than not, and that the "rightful" rulers need to take good care of their

people which would guarantee more redistributive policies (Zhou & Jin, 2018). This will lead to another concern: the high acceptance of inequality does not imply that the population totally agrees with the government's redistributive policies and thus demands less action. An and Ye (2017, p. 85) suggest political elites prefer less progressive taxation and less redistributive expenditure than the public. A recent study, in contrast to Whyte's survey, shows that 49.5 per cent of respondents considered China's economic redistribution was unfair (Lei, 2020, p. 15). Using the same survey as Whyte's study, Lü (2014, p. 318) shows that most Chinese citizens still held a negative view on inequality at least 68 per cent of the time, while Zhou and Jin (2018, p. 1040) shows 83 per cent respondents believed an unfair economic system played a part in creating poverty. Those who do not agree tend to have more distrust towards both local and central governments (Lei, 2020). As Whyte (2010, p. 67) notes, it only needs a small portion of angry citizens to threaten the regime's stability. The reason why the "social volcanoes" have not yet erupted in China, thus, might result from the inability of citizens to organize collective action. Or put it the other way, it is because the Chinese regime possesses an efficient repressive capacity to put off any threats of collective action. This is the main topic for the next Chapter.

Discussion

While sharing the same socialist heritage that emphasises redistributive social policies, this chapter argues Vietnam and China's governance capacity – reflected by the allocation of state resources – have diverged after the critical juncture at the end of the 1980s. While the Vietnamese state has an *expansive* governance capacity, which underscores universally redistributive social policies such as education and healthcare, the Chinese state possesses a *cohesive* governance capacity that prioritises empowering the state power, reflected by the fiscal spending on science and technology and infrastructure. In the fiscal perspective, Hanoi prioritises human capital spending, while Beijing considers "efficiency as priority and equity as supplement"(X. Wu, 2009, p. 1038). The contrasting cases of development policies in Shanghai and HCMC vividly show how the two countries' different approaches have shaped the fortunes of their respective "dragon heads" in the reform era. While Shanghai has received enormous financial support from the centre, transferred from the rest of the country (Y. Huang, 2008), in its bid to become China's first world-class city, HCMC has hugely contributed to Vietnam's redistributive successes at the expense of its own development prospect. To paraphrase Lynn White's description of the heavy fiscal extraction in China's urban areas

during the early period of reform (L. T. White, 1989), HCMC is being "shanghaied" for the sake of the rest.

The chapter identifies accountability as the determining factor to account for the divergence. In China, internally, the changing relationship between the central leadership and the selectorates after the critical juncture allows Beijing to allocate fiscal resources more arbitrarily according to the ruler's preferences. The newfound fiscal power allowed the centre to spend heavily on infrastructure development as well as science and technology, while shifting the burden of social spending to local governments via unfunded mandates. The selectorates, in turn, were not motivated to spend on education and healthcare, which were non-discretionary and did not provide high-profile impacts as infrastructural projects did. Externally, despite a few successful cases, popular pressure was not strong enough to sway governance priorities, particularly given the regime's emphasis on political stability after the Tiananmen Incident. Furthermore, as public dissatisfaction was mostly limited to the local level and given the low internal accountability between the local and central elites, the centre might be responsive to specific complaints rather than attempts to address the deeper issue of redistribution. The central government can appear to be more distributive by setting ambitious social policies, but then delegating those tasks to local governments without proper funding. Understandably, many local governments are unable to fulfil those mandates.

In Vietnam, a more collective leadership mechanism after the critical juncture allowed the Vietnamese Central Committee to operate as a de facto parliament, where the selectorate had a much greater power to debate on redistributive policies. This had two important implications for Vietnam's resource allocation and thus its governance capacity. First, the redistribution must be seen as "equalised" among different provinces, which prioritises non-discretionary spending such as education and healthcare. Second, because provinces can keep a large share of fiscal revenue, Hanoi does not possess a strong financial foundation as Beijing does, and thus does not have the capacity to invest in efficiency-promotion areas such as infrastructure and S&T.

To generalise, a collective authoritarian regime like Vietnam redistributes more because of the constraints that both internal and external accountability are put on it. The ruler in a personalised regime like China, contrarily, has more discretion in dictating the rule of the game.

The different governance capacity might lead to different policy outcomes. Malesky, Abrami, et al. (2011, p. 416) suspect that Vietnam's model prioritises equality over long-term growth, which might explain its lower GDP growth in comparison to China. A more redistributive policy also carves in the fiscal resources that could have been used to improve its governance efficiency. This is not only reflected in the serious lack of proper infrastructure and the inefficient funding for science and technology, but also the capacity of Vietnam's own bureaucracy, which faces a serious problem of underfunding. Under fiscal constraints, Vietnam has been trying to reduce public employment by three consecutive "administrative reforms" since 1990s, to no avail. The state's bureaucracy still employs more than three million people as of 2020 (Le Vinh Tan, 2020), with highest civil servant per capita ratio in Southeast Asia.

One could speculate that the failure of such reforms is due to the government's reluctance to make unpopular decisions which could enrage the population. Chinese policymakers, on the contrary, are much less restrained in initiating "unpopular" policies. During the 1990s, Beijing slashed millions of jobs in the bureaucracy and SOEs in an attempt to improve efficiency, despite the mounting risks of social unrest (Y. Y. Ang, 2012, p. 691; Y. Wang, 2014). One explanation of why Chinese SOEs are more profitable is because they do not have excess labour ((Berkowitz, Ma, & Nishioka, 2017), which is the enduring problem among Vietnamese SOEs. This less constrained nature of authoritarian rule in China allows Beijing to sacrifice short-term gains for long-term goals. Despite high inequality, no one could deny that the overall living standards of the Chinese people have been remarkably improved over the course of the *Reform and Opening up* (Jain-Chandra et al., 2018).

One interesting question is, then, what if the personalised ruler in China decides to change the "efficiency first" approach to redistribute more to the population, and some determined leaders in the Vietnamese collective system want to break away from the "jackfruit" policy to prioritise developing some pioneer areas. History is full of "what-if" and all answers are only speculative. However, as shown in the section of alternative explanations, structural factors will be a great constraint on the ability of political leaders to change the course of development once being set off. The course, certainly, will not stay the same forever. Nevertheless, when it does change, there must be another critical juncture at work.

Both approaches in governance capacity by Vietnam and China have their own advantages and limits. China's obsession with economic development produces irrational economic growth targets, which then distort the composition of local public expenditure at the

expense of spending for education and technology (D. Liu et al., 2020, p. 8). While the effect on the latter is often offset by the centre's spending, the former issue, along with healthcare, proves to be a bigger problem. The high level of household savings could be seen as a consequence of the lack of confidence in the social safety net in China. Excessive investment in infrastructure also becomes counter-effective at some point. It is estimated that the misallocation between infrastructure and private capital within-province increased China's GDP loss from 2.31 per cent to 3.20 per cent in the 2008-11 period (H. Shi & Huang, 2014, p. 284).

In Vietnam, the lack of efficient allocation of resources impedes the country's development prospect. The jackfruit policy is criticised, rightly so, to drag back Vietnam's potential. The regime spends two-third of its annual budget on recurrent expenditure, and almost the rest to repay its debt, leaving only a tiny amount of resources for development purposes. An expansive governance capacity that emphasises equalisation is also unfair and demotivating for more effective and better performing regions and areas. For example, the Red River Delta region, which creates the relatively least value added, received the highest share of public expenditure on agriculture, while the most significant agricultural centre of Vietnam in the Mekong River Delta received a lower rate (World Bank, 2017, p. 52).

As mentioned earlier, the analysis in this chapter does not aim to show which system of governance is better. With its much deeper pocket and capacity, Beijing perhaps exceeds Hanoi in every criterion of the governance's scope and cohesion in absolute terms. Rather, this chapter compares the structural differences in the two regimes' governance priorities and explores to what extent political accountability affects these differences. These, in turn, have a great impact on how the two regimes construct their control capacity to maintain their survival, which will be examined in detail in the next Chapter.

Chapter 5 - Pressure Cooker or Safety Valve? Control Capacity in Vietnam and China

"The king is the boat, and the people are the water. It is the water that bears the boat up, and the water that capsizes it."

Xunzi, the King's rule.

The previous two chapters explain how political accountability affects the extractive and redistributive sides of the state capacity in Vietnam and China after the market reforms. Despite being high performing regimes, both countries are nevertheless authoritarian, one-party states which share the same concerns of power control over the population. There are two types of control. First, the state can persuade citizens about the regime's projects and promises, and thus keep them voluntarily loyal to the regime. This is referred to as the legitimation capacity. Second, the state can also use its repressive power to deter and suppress any form of opposition – both physically and mentally. This is what is known as repressive/coercive capacity. Previous research on authoritarianism tends to separate repression and legitimation (Gerschewski, 2013). However, as both aspects refer to the capacity to control the population, I argue they are the two sides of a coin. I will analyse both using the concept of *control* capacity: legitimation assesses state capacity to shape/control the public discourse (or propaganda)[12]. Repression assesses state capacity to deter/control any threat from dissatisfied citizens by force or the threat of the use of force.

My main argument in this chapter is that after the critical juncture of the late 1980s, control capacity in Vietnam and in China diverged. The former developed a *low-intensity* control capacity, with a more pluralistic ideological environment and a fragmented repressive capacity. By contrast, because of the Tiananmen Incident, the latter tightened the ideological sphere and substantially increased its repressive capacity. To borrow the wording from Levitsky and Way (2010) with a slight revision of meaning, I classify the Chinese regime as having *high-intensity* control capacity. As in the previous Chapter, control capacity is analysed in terms of both scope and cohesion. The scope of control capacity, which measures the level

[12] Legitimation includes other factors, such as social-economic performances. However, as this aspect is analysed in Chapter 3 which discusses governance capacity, this chapter focuses on control capacity.

of state infiltration and penetration into the society, can be examined by quantifiable indicators such as state spending, the number of personnel, and the number of institutions devoted to control tasks. The cohesion of control capacity refers to its institutional strength, which can be revealed by examining the development of the regime's institutions specialised in control activities.

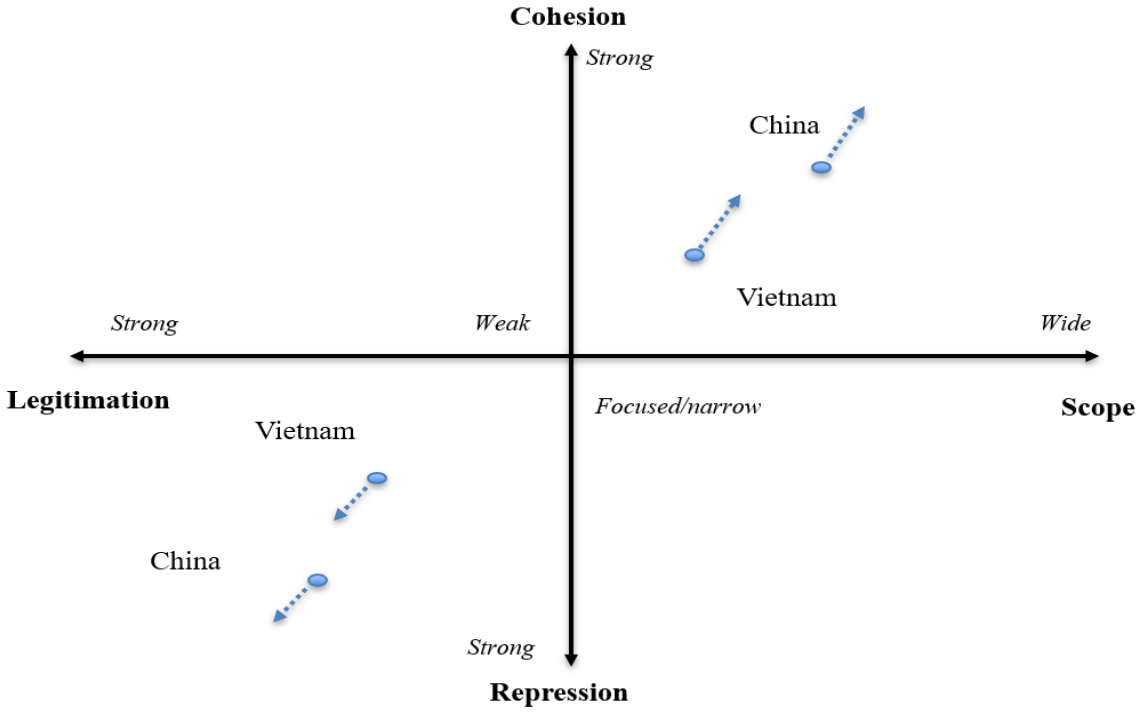


Figure 5-1: A conceptual model of control capacity in Vietnam and China. Note: The top right denotes the scope and cohesion of state (control) capacity, the bottom left denotes the general characteristics of control capacity.

To analyse control capacity is a challenging task because most of the time control forces operate below its actual capacity due to their preventative nature. Only examining the inputs (fiscal allocation for building control capacity) or outputs (quantitative indicators of control capacity such as the number of police per capita) will not be enough, as these indicators imply potential, not actual, capacity. In theory, we would only be sure about control capacity if there are reliable "stress tests" that can stretch the regime's capability to the limit. For example, the strength of the repressive forces can only be revealed by the way they deal with mass protests or other regime-threating incidents, and the effectiveness of its propaganda evaluated by the way the regime controls the public narrative and discourse of unwanted events (such as the aftermath of the 2008 Sichuan earthquake or the sexual assault allegations against the former Chinese Vice Premier Zhang Gaoli). Ideally, if state capacity can be simply defined as the

ability to get things done, stress tests can help identify what cannot get done despite its stated goals. Unfortunately, real-world stress tests are rare, especially in high-performing regimes like Vietnam and China. Therefore, it is not feasible to depend on "stress tests" alone to evaluate control capacity. In this chapter, I evaluate control capacity by looking at both inputs (fiscal allocation) and outputs, and the responses of regimes in potentially regime-threatening incidents. The chapter employs the historical institutionalist approach by tracing the development of control institutions in both countries from the 1980s to the present.

The chapter proceeds as follows. First, I examine how control capacity diverged in Vietnam and China after the critical juncture in the late 1980s. A brief historical account of control capacity in pre-reform Vietnam and China is provided, followed by the analysis of its development in the reform era. Second, I explore the channels of impact via which political accountability can explain for such a divergence. In this section, limited quantitative analyses are used to test the correlation between external accountability and control capacity in Vietnam. Third, I look at alternatives to see other viable explanations for the divergence of control capacity in the two countries. The chapter concludes with a few thoughts on the potential impacts of the diverging control capacity on the two regimes' prospects of resilience.

The divergence of control capacity in post-reform Vietnam and China

Similar to other communist regimes during the Cold War, pre-reform Vietnam and China were highly securitised states. The victory over a global superpower after 20 years of a destructive war had established the military's supremacy in the Vietnamese system, while cementing the undisputed role of communist ideology (T. Vu, 2016). In the early 1980s, Hanoi spent nearly half of its budget to maintain a one million-strong police force plus 2.6 million soldiers (Vo, 1990). In China, the turbulence of the Cultural Revolution paved the way for the People's Liberation Army (PLA) to exert control in the name of political stability. Indeed, the PLA played the instrumental role in disposing the "Gang of Four" and bringing Deng Xiaoping back to the central stage of Chinese politics in 1978 (Meisner, 1996). In a sense, both regimes had the characteristics of totalitarian domination, which demanded both a high level of ideological commitments and repression to assure it (Márquez, 2017, pp. 50-56).

When adopting market reform policies, which emphasised the efficient allocation of resources for development, the role of the control apparatus decreased in both Vietnam and

China. In a sense, Hanoi and Beijing engaged in a process of "de-Stalinising" the state, when the security and ideology apparatuses returned to the barracks and reduced their intervention into the society and the economy. During the 1980s Chinese reformers such as Zhao Ziyang and Hu Yaobang tried to set a clear boundary to state power by separating the party and the state, while the Vietnamese military saw their representation in the Central Committee (CC) greatly reduce as the glory of the Vietnam War faded. However, changes in the critical juncture of the late 1980s shaped the control capacity in Vietnam and China. The Tiananmen Incident set a path dependence for the Chinese regime of prioritizing "stability maintenance" (weihu wending - known as *weiwen*) that differed dramatically from the policies of the 1980s (Y. Wang & Minzner, 2015, p. 340). The economic and political reform in the 1986-89 period without critical disruptions, by contrast, allowed the Vietnamese regime to scale down the control apparatus, although the fear from the collapse of global communism in the early 1990s slowed down this process. In a sense, Vietnam is considered as "freer" than China in some standardised indicators such as the Worldwide Governance Indicators (Figure 5-1). The next paragraphs detail the changes in control apparatus in the two countries after the critical juncture.

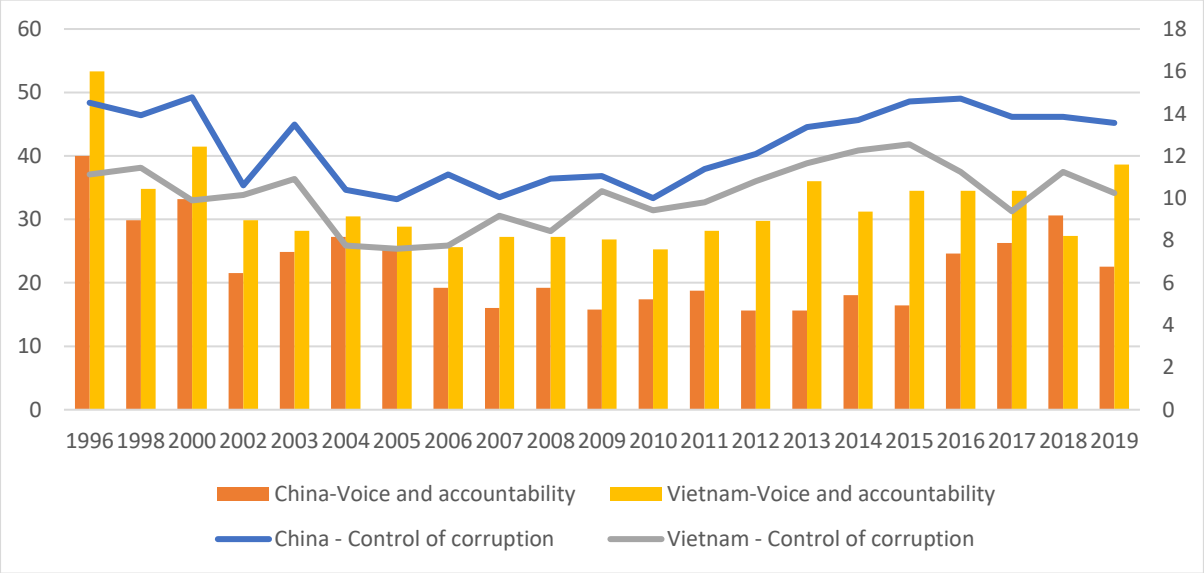


Figure 5-2: Comparing the Worldwide Governance Indicator in Vietnam and China, 1996-2019. Note: Voice and Accountability and Control of corruption. *Source: (World Bank, 2022).*

Legitimation capacity

The strengthening of legitimation capacity is recognizable in China, as Deng Xiaoping believed the failure to maintain the popular belief in the regime was his biggest mistake during

the first phase of reform (Zeng, 2016, p. 122). There were also concerns of a "weak party leadership with loose grass-roots organisations" which were unable to monitor people's actions (J. Chen, 1995, p. 29). Deng blamed the "very poor work in persisting with political work and education" for "the confrontation between the four cardinal principles and bourgeois liberalisation", which eventually led to the massacre on the Tiananmen Square on June 4 (Deng, 1989). The efforts were made immediately after the incident. The regime cracked down on rebellious press and other demonstrator-sympathizers in the propaganda system, leading to tens of thousands of people losing jobs and being punished (Brady, 2016, p. 44). In the early years afterwards, hundreds of conferences on Deng's thought were held in order to shape the narrative of the protests (W. W.-l. Lam, 1995). A Politburo Standing Committee member, Li Ruihuan, was promoted to be the propaganda chief, indicating the rise in importance of the ideological work (Brady, 2016, p. 9). The collapse of global communism in the early 1990s only raised more alarm to the risk of a lax approach to political work. In 1991, Beijing initiated the "Patriotic Education Campaign" which utilised China's humiliating past to justify the CCP rule and promote social cohesion (Z. Wang, 2008, p. 803). The campaign emphasised the party's role as the guardian of the nation and thus made any criticism of the party an unpatriotic act (Suisheng Zhao, 1998, p. 289). The tightening of the ideological sphere and media system after the Tiananmen Incident created a path dependence that prefers order and stability. In Vietnam, although the collapse of its main ally Soviet Union did cause panic in Hanoi, the state found it increasingly challenging to maintain the monopoly over the ideology discourse, due to its increasingly open economy, the changing geopolitical context in Asia, and the rise of social media (Koh, 2001; T. Vu, 2016, pp. 265-288).

There are many aspects of legitimation capacity, yet given the scope of this chapter, I focus on its ability to increase the diffuse support and to shape the public discourse. For the former, I examine the regimes' ideological presence into the society by looking at the development of party membership and party networks. For the latter, I analyse the regimes' control over the public sphere, particularly the media.

The levels of party membership and the number of grass-roots party organisations can reflect a regime's ideological presence, as these show the level of penetration into the society and serve as the mobilization of consent from subordinates (Holbig, 2013, p. 66). Leninist states like Vietnam and China depend on a network of grass-roots organisations (or the "mass

line") to control society. Even if party membership does not equate to ideological conformity, the relatively difficult admission process as well as the privileges it confers create a strong incentive for party members to be remain loyal.

On party membership, the difference between the CCP and the VCP is minimal. In 2019, the VCP recorded 5.1 million party members (Vietnamese Communist Party, 2021a, p. 38), with a party membership per population ratio of 5.2 per cent. The CCP recorded 95.15 million members with a party membership per population ratio of 6.8 per cent in 2021 (Xinhua, 2021c). The main difference is the number of primary-level party organisations. The VCP has 256,480 party cells (Vietnamese Communist Party, 2021a, p. 9), which means on average there will be a party cell for every 380 Vietnamese. In China, the CCP records 4.86 million party cells, with an average of a party cell for every 292 Chinese. In addition, while primary-level party organisations in China is considered as "the foundation for all the Party's work" (Chinese Communist Party, 2017, p. 20), the party organisations which have the same importance in Vietnam is "grass-roots level party organisations" (*tổ chức cơ sở Đảng* in Vietnamese)[13] (Vietnamese Communist Party, 2016a), which is one administrative level above party cells. On this type of organisations, in 2019, the VCP had 54,349 grass-roots level party organisations, a decrease of 2,164 from 2016 (Vietnamese Communist Party, 2021a, p. 9).

More importantly, the VCP has been struggling to penetrate the non-state sector, particularly FDIs companies and private businesses (Table 5-1). As of 2019, only 0.86 per cent of private businesses had a party cell, while this ratio for FDI companies was 2.94 per cent (T. Phuong & Ha, 2021). This is despite the very early efforts of the VCP after the critical juncture in building party cells in private businesses, reflected in the Political Report of the mid-term National Congress in 1994 presented by General Secretary Do Muoi (Vietnamese Communist Party, 2007, p. 211) and the Politburo Direction no 07-CT/TW issued on November 23, 1996 on party building in private businesses (Vietnamese Communist Party, 2015, p. 666). The VCP has grown in the areas where it had already secured control but has failed to expand further in a rapidly changing society (T. Vu, 2014, p. 30). In 2017, the VCP General Secretary Nguyen Phu Trong openly complained about this situation of the people getting "bored of the party, indifferent with the [communist] youth league, and disinterested of politics" (Tam, 2017).

[13] For example, a state-owned enterprise might have one grass-roots party organization with a network of party cells in each of its department.

By contrast, the CCP has aggressively sought to impose its presence in the non-state sector (X. Yan & Huang, 2017), initially as an offer, but latter as a requirement. The number of private businesses with a party cell increased dramatically from four per cent in 1993 to nearly 50 per cent by 2018 (Thomas, 2020), at a low-confidence estimation, or 73 per cent in some other estimations (Grünberg & Drinhausen, 2019). The tactic of infiltration in controlling grass-roots administrative units (usually villages) is examined in detail by Mattingly (2019, pp. 154-180).

	Party membership, % of population	Population/party cell	Private enterprises with party cells	% of student with party membership *
Vietnam	5.2%	380	0.86%	1.7%
China	6.8%	292	48.3%	7.3%

Table 5-1: Party penetration in the society, Vietnam and China compared. Note: Data point for Vietnam is 2021, China is 2018. Data on university student party membership in Vietnam is in 2020, China 2021. *Source: Author compilation from Vietnamese Communist Party (2021a), Thomas (2020), and other official sources.*

One example of the divergent paths of ideological control in the two countries lies in the way the parties have managed university campuses, as they shift their recruitment targets to younger and more educated populations (L. Han & Li, 2021). After the Tiananmen protests, the proportion of student party members in China increased from 0.8 per cent in 1990 to 11 per cent in 2010 (X. Yan, 2014, p. 506), and rose to over 27 per cent in the universities under the direct supervision of the Ministry of Education (G. Xie & Zhang, 2017, p. 99). In 2021, 3.067 million party members were students, accounting for 3.22 per cent total party membership (CCP Organization Department, 2021), and 7.3 per cent of total enrolled students[14]. In Vietnam, the party reach to the university students is very low. By the end of 2020, only 0.55 per cent of party members were students (28,769 members) (Hung & Thu, 2021), equivalent to 1.7 per cent of the total student body.[15]

Certainly, the raw numbers of student party membership do not necessarily transform into strong diffuse support. Indeed, one survey shows that only 12.92 per cent of Chinese student applicants for Party membership actually "believe in Communism" (X. Yan, 2014, p.

[14] There are 41.83 million students in China in 2021 (Xinhua, 2021a).
[15] In 2020, there are 1,672,881 university/college students in Vietnam.

506). Party membership is nevertheless important for career purposes. As of 2016, nearly 60 per cent of available civil service jobs required party membership as a condition for applying (Y. Zhang, 2018). However, because party members in Leninist parties like the VCP and the CCP are subject to frequent ideological indoctrination such as compulsory education and trainings, self-criticism sessions, monthly meetings, and occasional ideological campaigns, it is reasonable to believe party membership will affect regime support in a positive way (Bruce J. Dickson, 2014; Bruce J. Dickson, Shen, & Yan, 2016). That said, even if party membership does not necessarily produce genuine support, it prevents open challenges to the party's legitimacy and empowers its symbolic presence (Holbig, 2013, p. 77). Furthermore, the increase in membership is supported by other coordinated measures to tighten the ideological grip over university campuses, such as establishing various Marxist-Leninist and Xi Jinping thought institutes, holding compulsory ideological courses and events, and making increasing use of student informants to report on "unpatriotic" remarks at universities (Jiang, 2021). In Vietnam, although some of the above tools have been used (for example, the compulsory ideological courses), the regime has been struggling to revive the waning interests of university students in its ideology (Cuong, 2017).

Another aspect of legitimation is the ability to control the public sphere, particularly the media, both traditional and social. On the surface, it can seem that both regimes share a hard-line approach to media control, as seen in a number of media freedom indexes (see, for example, the RSF Press Freedom Index in Table 5-2). However, a closer look would see a slight, yet significant, difference.

	2014	2015	2016	2017	2018	2019	2020
China	175	176	176	176	176	177	177
Vietnam	174	175	175	175	175	176	175

Table 5-2: Vietnam and China Freedom of the Press Index, 2014-20. Note: 180 is the lowest rank. Source: Reporters without Borders (2021)

As mentioned earlier in this section, China greatly tightened the media environment after the critical juncture, not least because reform-minded newspapers were collaterally blamed for the Tiananmen incident (Fewsmith, 2001, pp. 25-26). The CCP often provides guidelines on what should be reported on newspapers (Zeng, 2016, p. 9). Even with the introduction of media marketization, in which the control tactic has changed from "birdcage"

to “kite flying” (Stockmann, 2013, p. 31)[16], the regime maintains a strong ideological grip over the press (Hassid, 2008). Instead of creating the expected liberalizing impact, the media marketization is seen as providing a positive propaganda tool that fosters the regime’s legitimacy (Stockmann & Gallagher, 2011). Hopes for more media autonomy under Hu-Wen administration has been crushed under the Xi administration, which has further emphasised ideological control (Brady, 2017; K. Li & Sparks, 2018).

Sharing the same Leninist roots as China, the Vietnamese state uses many similar tactics. There is also ample evidence that Hanoi admires and has tried to learn from China’s experience (Bao Chinh phu, 2021; N. P. Truong, 2021). However, Vietnam has never reached the level of control found in China.

First, in sharp contrast to Chinese journalists who are unwilling to report wrongdoings of central elites without being given a mandate, in several high-profile corruption cases Vietnamese journalist shave rallied public criticism of the state apparatus (McKinley, 2008, p. 27). Admittedly, it is entirely possible that high-profile corruption investigations in Vietnam are the by-product of elite conflicts, but the inability to control the follow-up narrative indicates Hanoi’s lack of control over the public discourse. One example is the coverage of bauxite mining in Central Highlands in 2008, when several newspapers gave publicity to high-profile opponents of the project, thereby directly challenging the state’s decision (Pham & Nash, 2017).

Second, the scope of ideological control over journalists is very limited in Vietnam in comparison to China. While both require media practitioners to have state-granted press cards, Chinese journalists are required to take an exam on “socialism with Chinese characteristics” to qualify (Brady, 2017, p. 136; K. Li & Sparks, 2018). The agency that issues press cards in China, State Administration of Press and Publications (SAPP), was reassigned to CCP control instead of the state council in 2018, while this role in Vietnam is still under the responsibility of the Ministry of Information and Communication, a government not a party agency. While the move might not substantially change how the media is governed, it shows the ideological emphasis that the CCP puts on the media.

[16] “Birdcage” refers to the restriction of journalists in selecting the topics dictated by the authorities (as birds flying in a cage), while “kite flying” means that journalists have more freedom to choose as long as the the Party hold the strings (Stockmann, 2013, p. 31).

The different patterns of internet governance is the most vivid example of Vietnam and China's diverging legitimation capacity. Both opened up to the internet in 1997, but while China has successfully built its own internet "panopticon" where the government strictly controls the public discourse (R. Han, 2018; Tsui, 2003), Vietnam has been struggled (Nguyen-Thu, 2018). The dominance of Western social media platforms in Vietnam, particularly Facebook, with more than 60 million active Vietnamese users, makes it impossible for Hanoi to control the cybersphere as effectively as it does offline activism, although Hanoi has occasionally succeeded in forcing Facebook and Google to censor "anti-state" messages (BBC, 2020b). Various examples can be seen as "stress tests" for both regimes' control capacities. Take the 2021 sexual allegation of tennis star Peng Shuai against the former Vice Premier Zhang Gaoli for example. Chinese authorities took less than an hour to censor one of the country's most famous sports stars and after that, all relevant information related to the allegation on Chinese cybersphere was removed without a trace (K. Wang & Song, 2022). At the same time of the Peng Shuai incident, Hanoi had to deal with a scandal of the same magnitude. During his trip to the United Kingdom to participate in the 2021 United Nations Climate Change Conference, MPS Minister To Lam was filmed being fed gold-leaf steak in London's most expensive restaurant (AFP, 2021). As the video went viral on Vietnamese social media, the government was unable to censor it even though the original clip was quickly removed by the restaurant's owner (BBC Vietnamese Service, 2021).

The inability to control the cybersphere, along with the lack of a "great firewall", have also given rise to the so-called "left-side" media, Vietnamese-language independent or overseas-based media such as BBC Vietnamese Service, Radio Free Asia, and Voice of America, which are often critical of the regime and challenge state narratives. Figure 2, which shows the number of followers of Vietnamese-language news media on Facebook, partly helps illustrate a contested Vietnamese cybersphere.

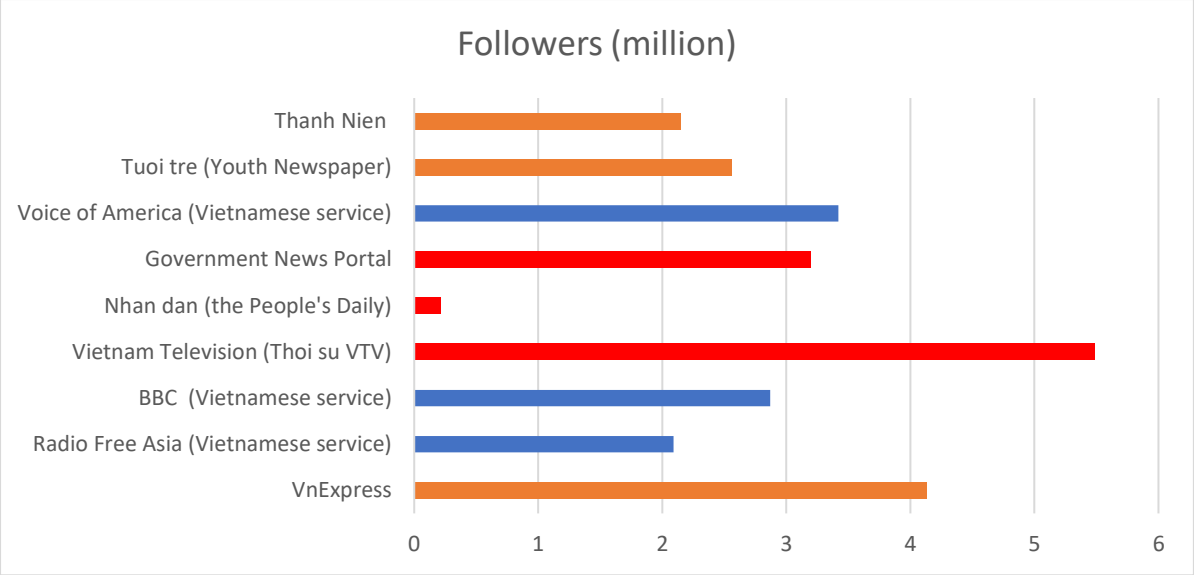


Figure 5-3: Facebook page likes of selected official media and "left-side" media in Vietnam. Note: as of December 23, 2021, million. Red columns are state media, blue columns are "left-side" media (independent media which is not registered inside Vietnam), and orange columns are commercialized media (registered under a state-affiliated body but financially independent from the state).

The two parties also diverge in their ideological training of cadres, despite both have comprehensive party school systems from the centre to the local level. In China, political training of cadres was enhanced in the 1990s (Brady, 2016, p. 76), with the party school system being a fixture of political life, acting as both the "organisational pipelines" for elite promotion as well as the guardian of party ideology (C. P. Lee, 2015). It is no surprise that party school principals at different administrative levels often hold senior concurrent posts, normally vice party secretaries at the provincial level (C. P. Lee, 2015, p. 40). Hu Jintao and Xi Jinping, for example, were both the heads of the Central Party School before becoming the paramount leaders. By contrast, ideology training in Vietnam has been largely side-lined since *Đổi mới* in the late 1980s. Successive heads of the Ho Chi Minh Academy of Politics (the VCP's central party school) have not held politburo membership since 2004[17], while the principals of provincial-level party schools do not hold seats in the provincial party's executive leadership committees. At the top level, the practice of frequently organizing Politburo group study

[17] This changes in 2021 when Politburo member Nguyen Xuan Thang became head of the Ho Chi Minh Academy of Politics. However, his politburo membership is credited to his position as the chairman of the Central Theoretical Council.

sessions is also an important channel to express the authority of the paramount leaders in China (Hart, 2021). Such informal channels do not exist in Vietnamese politics.

In short, China has enhanced and developed a much stronger legitimation capacity than Vietnam since the critical juncture thanks to its deep penetration into the society as well as the effective media control. Its success in legitimation is also reflected in cases when aggrieved citizens blame corrupted officials rather than pointing the finger at the system itself (Perry, 2017, p. 51). Certainly, a high legitimation capacity does not guarantee that people will follow the party line wholeheartedly. The point of legitimation control is not only about indoctrinating citizens and successfully convincing them about the regime's Utopian project, but also about "signalling" its powerful control capacity and thus pre-emptively deterring any impulse to dissent (H. Huang, 2015; Márquez, 2017, pp. 151-175). Accordingly, the strength of repressive forces also constitutes an indispensable part of the regime's control capacity. The next section examines how these forces have been developed in Vietnam and China after the critical juncture.

Repressive capacity

This section examines the repressive capacities of the Chinese and Vietnamese regimes by analysing their scope and cohesion. While the former – indicating the level of expansiveness of the repressive forces – can be measured by state spending on security, the latter can be analysed by assessing the level of political control over these forces by the regime. A strong repressive capacity should be both expansive enough to deter the threat of mass unrests, and cohesive enough to prevent the risk of elite factionalisation and coups.

Previous studies tend to separate the security and the military apparatus, the common perception being that the latter is built to deal with external threat rather than domestic ones. Within the security apparatus, there are also calls to separate between crime control and the management of political unrest (Greitens, 2017, p. 1016). Although I agree with these evaluations, I believe repressive capacity should include both the security apparatus ["everyday forms of repression" as Y. Wang (2014, p. 16) puts it] and the military forces (high-intensity coercion). It is because in communist states like Vietnam and China, the party controls both forces, and depending on the circumstances, can order both to act. Just as a defensive weapon can also turn into offensive, the military can easily turn their gun towards the citizens if the

party asks so. Although both military forces are officially named “the people’s armies”, they are actually the party’s armies. The suppression of the Tiananmen protests, for example, was carried by the People’s Liberation Army (PLA) instead of the police. As “capacity” indicates the potentiality rather than the actuality of resource mobilization (e.g., the regime only uses the military when facing existential crises), it is also important to examine the forces that can be mobilized during stressed times. In addition to the police and the military, repressive forces include the People’s Armed Police, a paramilitary organisation under the CCP’s direct control, in China and civilian militia in both countries. While the police officially has around two million personnel (Xinhua, 2021b), the PAP has at least 1.5 million personnel. These are huge numbers, even if we take into account the possibility of data underestimation given the secretive nature of these forces.

On the scope of repressive capacity, it is no surprise that Chinese repressive forces were greatly enhanced in the early 1990s after the Tiananmen protests. By November 1991, all big cities had seen an increase of security personnel, with the national police doubling to 800,000 personnel and the PAP increasing to 600,000 since the mid-1980s (W. W.-l. Lam, 1995, p. 257). The expenditure for the PAP increased from 1.2 billion yuan (1984) to 6.3 billion yuan in 1994 (N. Li, 2006, p. 141). Initially, the changes were the reaction to existential risks; however, these change have gradually developed over time into a new governance model that heavily emphasised *weiwen* (Y. Wang & Minzner, 2015). From 1992 to 2019, state spending on domestic security and defence has increased substantially in absolute number (Figure 5-4), in relative terms it accounted for 15% of total government expenditure in 2007 before reducing slightly to 11% in 2019. According to China’s 2019 White Paper, China has the world’s largest standing army of two million active duty personnel and comes second in terms of net defence spending at the official number of 209 billion USD in 2021 (after the US), although even that high figure is suspected to be an underestimation (US Department of Defense, 2021).

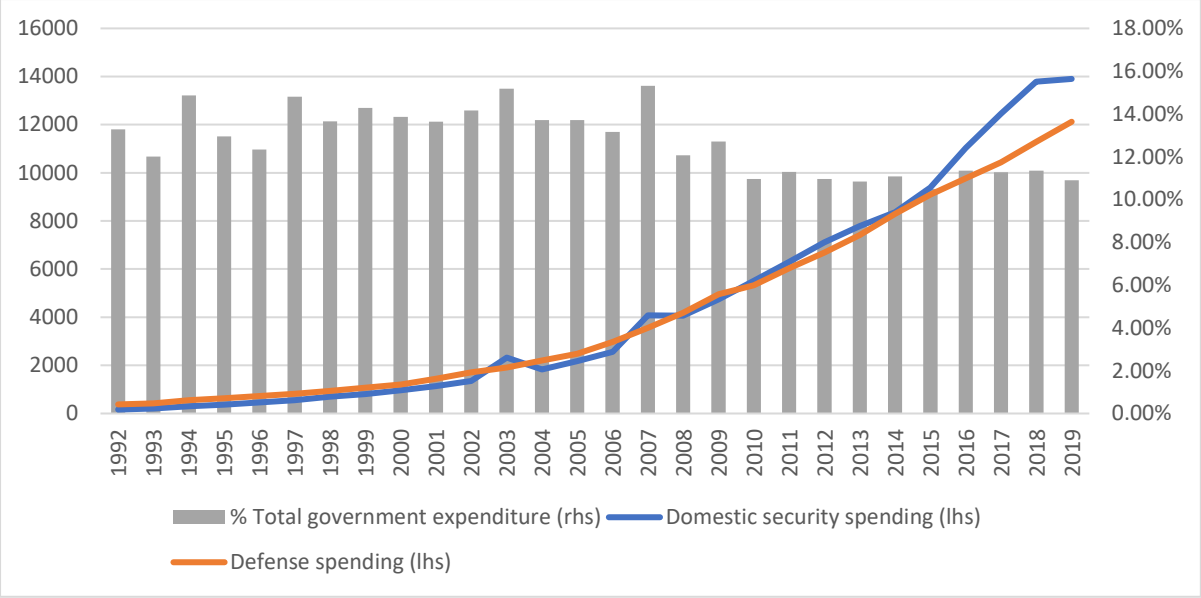


Figure 5-4: China's state expenditure on domestic security and defence, 1992-2019. Note: 100 million yuan (lhs) and percentage (rhs). *Source: Author's compilation from China Financial Yearbook.*

There are justified claims that the share of repressive spending (both for domestic security and defence) in total state expenditure has been steadily decreased (Greitens, 2017) (Figure 5-4). Taking into account salary increases, inflation, and other fiscal adjustments, repressive spending in China might not look as large as it appears to be. However, even with these reservations, the sheer amount of repressive spending in China is enormous given the country's exponential GDP growth in the past three decades. Moreover, within the overall category of repressive spending, China has invested disproportionally in specialised activities to combat social unrest such as internet surveillance (Xu, 2021) and the development of the PAP (Greitens, 2017, p. 1012). This specialisation on *weiwen* comes at the cost of everyday policing, the capability to combat other types of crimes being greatly constrained (Scoggins, 2021, p. 9). Besides, although the total share of repressive spending does not change, its allocation shifts according to the regime's threat perception. Y. Wang (2014) examines how Beijing channels more police funding to areas where SOE employment decreases to guarantee social order. Equally, interviews with Chinese police officials reveal that *weiwen* funding flows mostly to political sensitive areas such as big cities and border regions (Tibet and Xinjiang), instead of "normal" localities (Scoggins, 2021, pp. 61-62). As Jennifer Pan (2020) points out, some other items of expenditure, known as "repressive welfare", are listed in non-security spending but ultimately have security goals.

In terms of cohesion, the Chinese regime has enhanced the repressive forces by empowering their positions in the party apparatus, professionalising their operations, and consolidating its control over their organisations. After the Tiananmen Incident, the regime upgraded the position of repressive leaders in the party-state apparatus. The PLA was heavily present in the political life in the early 1990s. In some cases, PLA generals were allowed to sit in on Politburo meetings without membership (W. W.-l. Lam, 1995, p. 197). Police chiefs were put into the provincial leadership teams, which allowed them a greater voice in deciding policies, particularly resource allocation (Y. Wang, 2014, p. 16). In addition, the role of *weiwen* was also explicitly stated in the cadre performance evaluation (Y. Wang & Minzner, 2015, p. 340), making security a priority in policy decisions.

The empowering of repressive forces in the party-state, however, was accompanied by increasing centralisation for fear of losing control over the guns. After the mid-1990s, the CCP under Jiang Zemin disengaged the PLA from the economy, thereby cutting its main source of independent revenue; it became dependent on fiscal allocation from the state. The PAP, previously had been under the partial responsibilities of the PLA and the Ministry of Public Security (MPS), was put in the Xi Jinping era under the sole management of the Central Military Commission, instead of the dual leadership system with the State Council (Wuthnow, 2019, p. 11). But beyond this exercise of state control, party dominance of the repressive apparatus is confirmed by the fact that Chinese ministers of public security and defence are not in the Politburo, let alone the Politburo Standing Committee. The domestic repressive forces are under the supervision of the CCP's central committees, specifically the Central Political and Legal Affairs Commission (commonly known as *Zhengfawei*) in the case of domestic security and the Central Military Commission (CMC) in the case of the PLA. Both commissions are under the absolute command of the paramount leader – Xi Jinping. It can be seen why Chinese leaders can exert absolute control over repressive forces.

The professionalisation of the repressive forces is particularly reflected in the way the PAP has developed into a strong elite force whose main goal is to ensure the regime's survival (Wuthnow, 2019). Beijing has also invested heavily in digital surveillance which allows them to use preventive repression to address mass threats without a large bureaucracy of human agents (Kan, 2013; Xu, 2021, p. 323). For example, the infamous 50c party (*wumao*), which is responsible for spreading state propaganda on the internet, is suspected to produce 448

million social media posts nationwide annually (King, Pan, & Roberts, 2017, p. 494). The new *weiwen* efforts using digital technology blurs the distinction between repression and legitimation.

All of these developments have helped greatly strengthen China's repressive capacity. Despite facing a growing number of protests, one government report in 2012 found that the authorities needed just a single day to "resolve" 75.6 percent of the protests, while only 4.4 per cent of protests needed longer than seven days to put down (Scoggins, 2021, p. 6).

By contrast, Vietnam's repressive capacity has declined in both scope and cohesion. In terms of scope, after 1990, the de-securitisation of the Vietnamese state was accelerated. While the regime boasted a one-million strong police force plus 2.6 million armed forces in the 1980s (Vo, 1990), both forces have been greatly reduced. By 2019, Vietnam has around 450,000 active-duty military personnel (Vietnam Ministry of Defense, 2019a) and around 350,000-600,000 police personnel[18]. While spending for both the military and security at the national level is classified, Vietnam's 2019 White Paper sets out the spending for the military from 2010 to 2018 (Vietnam Ministry of Defense, 2019b). Based on those statistics, the country's military spending is illustrated in Figure 5-5. Although Vietnam's military spending as a percentage of GDP is double that of China (China's defence spending was officially at 1.26 per cent of GDP in 2017), it reflects Hanoi's increasing concerns about its inefficient military equipment and capability to deter China's aggression on the South China Sea not a wish to expand repressive capacity. In fact, the bulk of its military spending was directed at improving maritime capability (B. Tran, 2020), which has little relevance in social control. While the defence budget was 2.4 billion USD in 2010, for example, Hanoi bought six Kilo submarines worth more than two billion USD from Russia in 2009 (BBC Vietnamese Service, 2009).

[18] The number of police is classified in Vietnam, therefore there is no official statistics. Carl Thayer (2017) cites a 2000 paper to estimate that Vietnam has 1.2 million police officers nationwide. However, I believe this number is overestimated. From 2015, the Vietnamese government requires state agencies, including the MPS, to streamline their personnel as an attempt to reduce the costs of bureaucracy. The baseline target for each state agency is to reduce 10% of their personnel in a five-year plan. By 2020, after a sweeping reform, the MPS announced it reduced 30,500 personnel (Quynh Vinh, 2020). For a conservative estimation (that the MPS successfully reached the 10% target), the active-duty police personnel can be estimated at 305,000. For a less conservative estimation where the MPS reached 5% of the target, as other state agencies did, the number of police personnel can be estimated at 610,000.

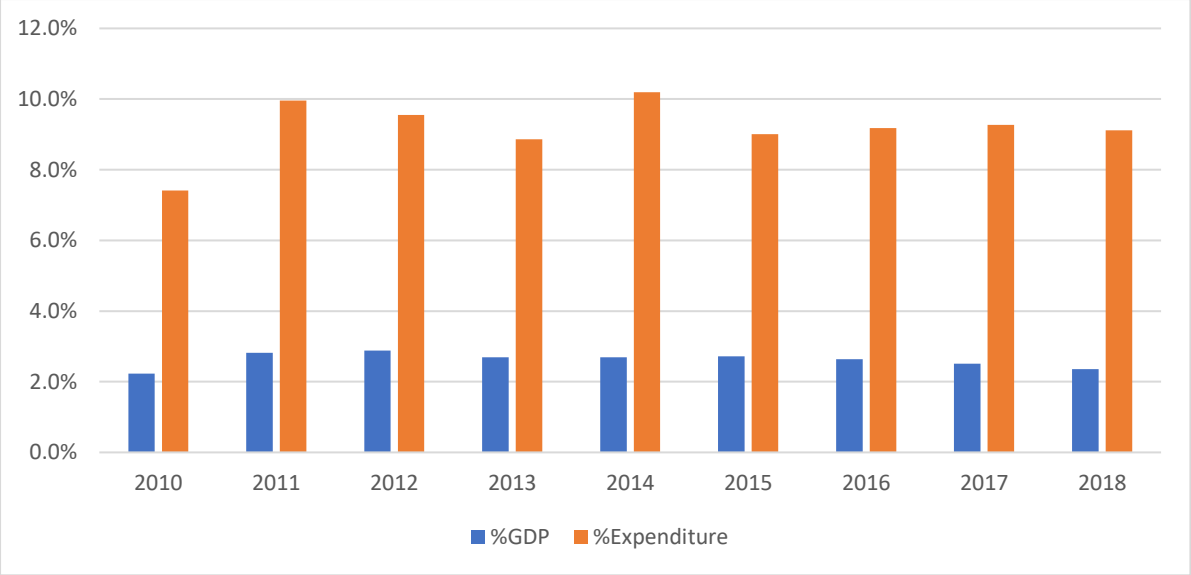


Figure 5-5: Vietnam's military spending per GDP and per total government expenditure, 2010-18. *Source: Author's calculation from Vietnam Defence White Paper.*

The police, despite their dominant position in the regime, has not been exempt from Hanoi's attempt to cut down the oversized bureaucracy. The 2018 restructuring significantly reduced its organisational structure and personnel, and at least 30,000 police jobs were slashed (Ba Do, 2020). More importantly, unlike China, the regime lacks a strong, specialised unit such as the PAP to deal with domestic unrest. Its equivalent of the PAP, the Mobile Police Force, was only set up in 2009 and has at best 20,000 personnel[19]. It also does not have the special status as does the PAP, but under the control of the Ministry of Public Security (MPS).

In terms of cohesion, although the collapse of communism in Europe did send shockwaves to the leadership in Hanoi, the event had more impacts on ideology than on the party-state apparatus (T. Vu, 2016, pp. 265-267). Conservatives proved unable to utilise the ideological crisis to regain the dominance of the repressive forces in the pre-1986 period. According to my dataset, CC membership with experiences in the security and military have sharply decreased from occupying more than 50 per cent of the seat in 1986 to just 23 per cent in 2016 (Figure 5-6).

[19] The number of the police force is classified, however, give the line of command of the Mobile Police (a sub-unit under the MPS and the highest-rank position is a lieutenant general), the number of the Mobile Police force can be estimated at 15,000-20,000.

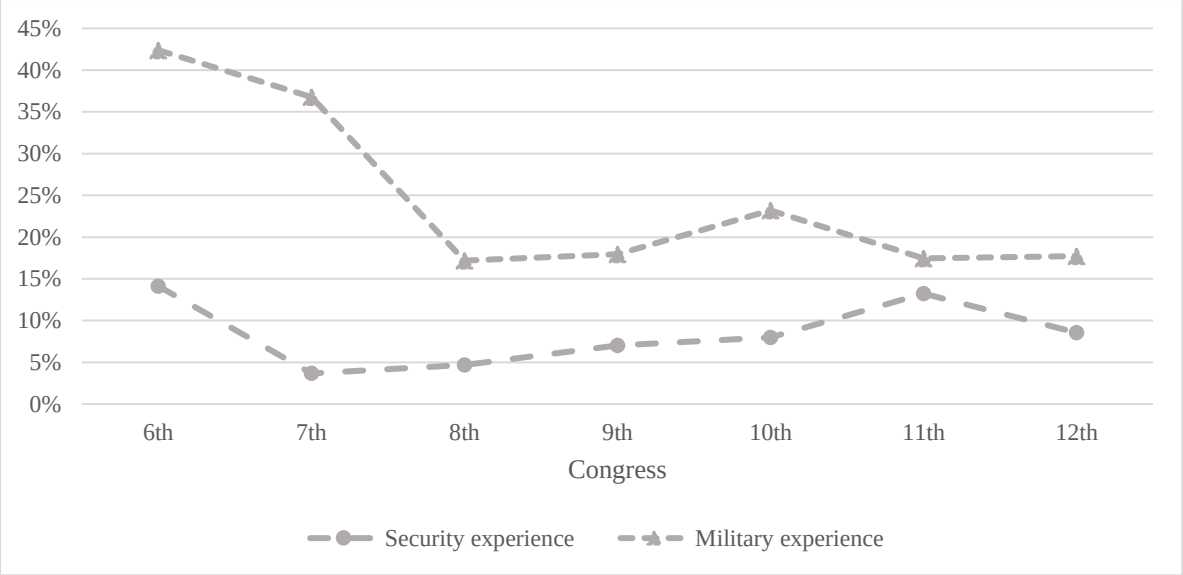


Figure 5-6: VCP's Central Committee membership with military and security background. Note: membership from the 6th Congress (1986) to the 12th Congress (2016). *Source: Author's dataset.*

While the allocated politburo membership for the post of ministers of public security and defence affirms their role in the political system, this fragmentises the repressive force as the police and the military compete for influence. There have been many popular discussions on the mutual dislikes between the military and the police since the early years of *Đổi mới* (1986). In 2020, two lieutenant generals of the military, serving in the National Assembly's Committee on Defence and Security, rejected Minister of Public Security To Lam's proposal to increase police numbers. "I'm sorry Mr. Minister, there are already too many policemen," one of them, major general Sung Thin Co, was quoted as saying (Ngoc An, 2020).

Channels of impact

Internal accountability

The power relationship among ruling elites plays a key role in shaping a regime's control capacity in the long run. As examined in previous chapters, while China's internal accountability is low, Vietnam possesses a high internal accountability with its collective leadership system. How do these characterizations of regimes in the two countries affect the configuration of their control capacity?

Theoretically speaking, personalised regime tends to have the characteristics of what Gerschewski (2013, p. 29), called an "over-politicised configuration" which put a strong emphasis on both legitimation and repression. By contrast, a collective leadership regime tends to be weaker in legitimation and repression, or "de-politicised configuration" (ibid.). This contrast is reflected in the cases of China and Vietnam respectively.

First, in terms of legitimation, the ruler of a highly centralised regime such as China needs a strong ideological commitment to guarantee their absolute authority. It is no coincidence that since the *Reform and Opening up*, China's paramount leaders have always attempted to stamp their personal signatures on ideological projects: from Jiang Zemin's "Three Represents" to Hu Jintao's "Scientific Outlook on Development", and to "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era". Xi Jinping even managed to enshrine himself in the CCP's constitution, an honour that only Mao Zedong and Deng Xiaoping have previously been granted (Chinese Communist Party, 2017).

During the same period in Vietnam, there have been no attempts from communist leaders to elevate themselves to such levels. To compare, although General Secretary Nguyen Phu Trong might be the most powerful leader in Vietnam since *Đổi mới*, his thought is not and perhaps never would appear in the schools' curriculum (BBC, 2021) or have research centres devoted to it (The Economist, 2021) as his counterpart Xi Jinping has managed to achieve during the same period in office. The legitimation efforts, certainly, are not equal to their actual effectiveness in convincing people to believe in the regime's ideology (Márquez, 2018, p. 271). However, the massive investment in legitimation capacity, particularly with a strong tendency to build cults of personality, is only possible under a ruler with a great centralised power. Propaganda, then, becomes a credible signal of the ruler's strength (H. Huang, 2015).

Second, a centralised regime like China tends to be more attentive to repressive capacity because the personalist rule is only sustainable if the dictators can have complete confidence in the repressive forces. As pointed out by Geddes, Wright, and Frantz (2018, p. 80), personalisation of power is always accompanied with the consolidation of the police and the military. The concern about coups often induces personalist rulers to build a loyal and inclusive repressive force (Greitens, 2016). In other words, personalist rulers tend to build a *cohesive* repressive capacity. All the Chinese paramount leaders during the *Reform and Opening up* who are strongly characteristic of a personalist ruler (Deng Xiaoping, Jiang Zemin, and Xi Jinping)

have a solid connection with the security and military apparatus. It was the military that helped overthrow the Gang of Four and bring Deng Xiaoping back to the political stage after Mao Zedong's death in 1976 (Meisner, 1996, pp. 83-89). In a recent paper Mattingly (2021) shows how "strong" Chinese leaders pack the military's senior posts with their loyalists when ascending to power. Tellingly, the only CCP general secretary who failed to do so was Hu Jintao, who was considered as a "weak" leader.

In Vietnam, due to the lack of a central figure who can control both the military and the security, the repressive apparatus is fragmented and divisive between the two. Nor is there a Vietnamese equivalent of *Zhengfawei* which could yield absolute control over the two repressive forces.

While it is harder to empirically credit the personalisation process for the increase in the scope of repressive capacity, there are two hypothetical reasons why that might be the case. First, the close connection between the rulers and the repressive apparatus mean that the former has incentives to give privileged treatment to the latter. That is the foundation of factional politics as meticulously examined by Andrew Nathan (1973). Second, and more importantly, in the words of Machiavelli personalist rulers need to be feared more than loved (Márquez, 2017, p. 151). To be seen as a tough leader, investing in repressive forces seems a sensible choice, particularly in the case of China – given the party-state's overwhelming commitment to stability maintenance after the Tiananmen Incident. On the contrary, the more diverse leadership in Vietnam means that any attempt to expand the security apparatus will be seen as an attempt to consolidate power and face fierce objections from within the ruling coalition. At the height of his power in the early 2010s, PM Nguyen Tan Dung – himself a former Vice Minister of Public Security with extensive network among the security establishment – enlarged the police force and it was rumoured in Hanoi that he wanted to create a new ministry of public security that completely focused on domestic security. In other words, he wanted to create a Vietnamese version of the PAP[20]. However, this intention was never realised. After PM Dung retired from politics, losing the power struggle with General Secretary Nguyen Phu Trong in the 12th Congress, the MPS was significantly restructured and its power was reduced

[20] Although there is, understandably, no recorded evidence to back up this rumour, the MPS under PM Dung had 9 vice ministers – doubling that of the previous term (5 vice ministers) – signalling the intention of dividing the MPS into two entities. After 2016, the number of MPS vice minister remains around 6-7.

as previously examined. As the military and the police both enjoy a more independent status within the system in comparison to their counterparts in China, there exists a natural balance of power between the two that prevent one from getting advantage ahead of the other. The military often complains the police is allocated abundant financial resources, has too many personnel (Ngoc An, 2020), and too many generals (Le Kien, 2014). The police, for their part, has been trying to accumulate not only more fiscal resources but also manpower at the cost of the military (Hoang Thuy & Viet Tuan, 2020).

External accountability

External pressures from the population can have a huge impact on the way control capacity is organized. The impacts are two ways: accountability can play the role of a safety valve dissipating tensions that might lead to erupting "social volcanoes", but it can also be seen as weakness, inviting the population to intensify the pressure. Few authoritarian regimes choose to close off external accountability completely (notable exceptions are North Korea and in the past, Nazi Germany and Khmer Rouge Cambodia), not least because some forms of feedback from the population help rulers overcome the dictator's information dilemma and the risk of preference falsification (Márquez, 2017, p. 153). Consequently, most regimes try to balance control and accountability. This question is particularly important for China and Vietnam, which claim a "performance-based" legitimacy that depends on addressing popular demands in exchange for political quiescence. However, rulers hold different opinions on the boundary line between rightful demands and rebellious collective actions. The previous section shows how the different characteristics of the elite relationship shape the perception of the "right balance" differently, this section turns the focus on the role of the external accountability in shaping control capacity in Vietnam and China during the reform era.

I argue that in China, low external accountability plays a "pressure cooker" role in forcing the state to invest more in control capacity. By contrast, the high external accountability in Vietnam plays the "safety valve", allowing the state to invest less in control capacity. The conceptual model is illustrated in Figure 5-7. My theoretical expectation is that external accountability has a negative impact on control capacity. Specifically, the regime's less tolerant approach to popular demand and the lack of legitimate channels for the population to voice their concerns compel the regime to emphasise control measures to maintain expected level of

stability. Contrarily, a regime with a more tolerant approach to popular demand and with more legitimate channels for speaking out needs less investment on control capacity.

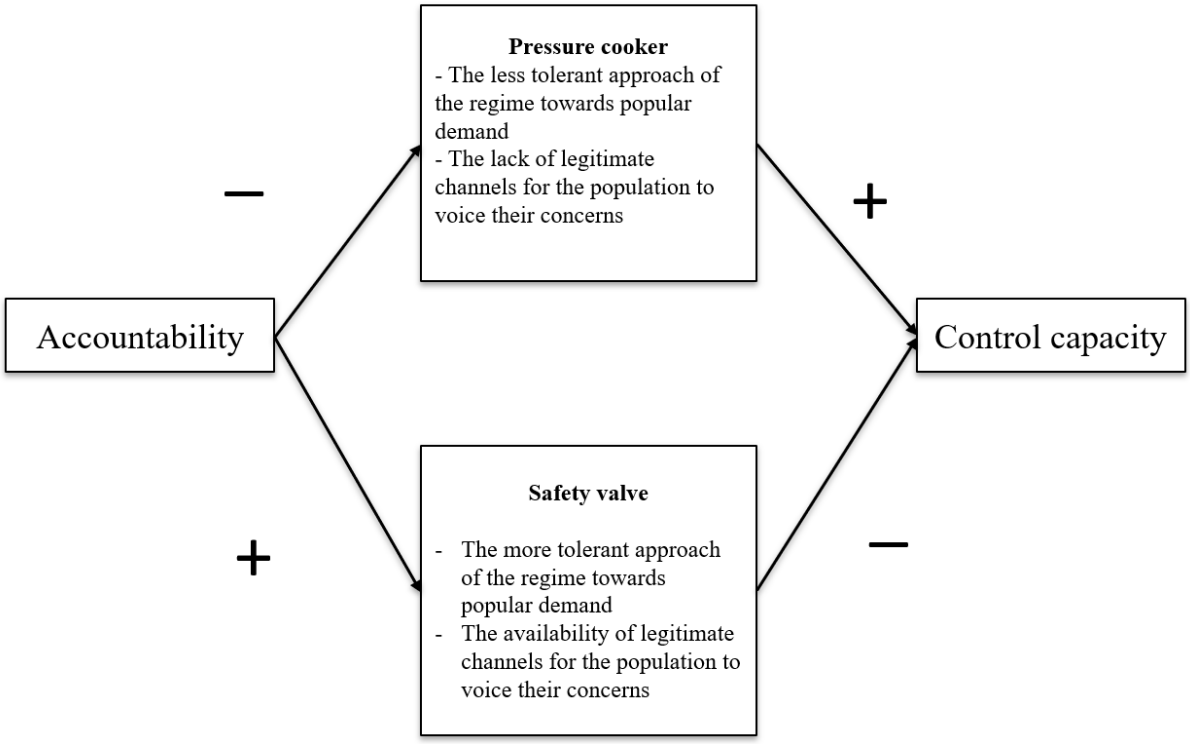


Figure 5-7: A conceptual model of the impacts of external accountability on control capacity.

Ideally, to test these hypotheses, I would need to have a dataset on external accountability in China and Vietnam for a reasonably long period of time. However, this type of dataset is notoriously difficult to obtain in authoritarian regimes, as there are no free and fair elections (the most direct measurement of accountability) as well as reliable public surveys on the issue. In China, there are several surveys that try to capture this information, such as the Asian Barometer Survey (Chu, Chang, Huang, & Weatherall, 2016), and the Beijing Area Study (BAS). However, these surveys are not longitudinal and usually do not cover all administrative areas (provinces or counties), making it unlikely to be representative of the Chinese population. Cunningham, Saich, and Turiel (2020) use a longitudinal survey of the opinions of 31,000 Chinese individuals on government legitimacy. However, the survey data is not yet publicly available. With such limitations, scholars often use different proxies for measuring impact. In the case of China, for example, Y. Wang (2014) shows that localities

with decreasing state employment have increasing police budgets. If we consider the state employment policy reflects the regime's response to popular demand, this study to some extent vindicates the "pressure cooker" impact of accountability on an important aspect of control capacity. Unfortunately, the lack of reliable data makes further testing on this hypothesis in China not feasible at the present.

The quantitative testing is more feasible in the Vietnamese context for the "safety valve" impact. In Vietnam, scholars often benefit from efforts of different international partners in improving Vietnam's "good governance" practices. As argued in Chapter 2, as a middle power and heavily dependent on trade, Vietnam is more susceptible to external pressure than China. Even during the time when domestic civil society is harshly repressed, international institutions and international NGOs are still able to operate in a relatively more favourable environment. Since 2011, several organisations under the support of the United Nations Development Programme (UNDP) have launched The Viet Nam Provincial Governance and Public Administration Performance Index (PAPI). PAPI assesses three mutually reinforcing processes: policy making, policy implementation and the monitoring of public service delivery in 63 provinces of Vietnam. PAPI has the Vertical Accountability Index which has three sub-indices that directly measure the level of accountability at the local level[21]. From 2009 to 2020, PAPI has captured and reflected the experiences of 146,233 citizens, who were randomly selected and participated in face-to-face interviews. This fairly large number of participants as well as the comprehensive coverage of the survey makes it a relatively reliable source of data to proxy external accountability. It should be noted that the below regression analyses only serve as an illustration to test the "safety valve" hypothesis in Vietnam. For comparative purposes, it will require a similar dataset in China which is unfortunately not available at the moment.

Data and methodology

PAPI index and subindices are used to proxy for external accountability. The index is scaled from 1 (bad quality) to 10 (good quality), with the aggregated accountability index is the sum of three subindices (note 21). In three subindices, the Access to Justice Services Index (Justice subindex) examines citizens' trust in courts and judicial agencies, and whether the

[21] Which are the interaction with local authorities, local government's response to citizens' appeals, and access to justice services.

respondents will use local courts and non-court mechanisms when having civil disputes. The Interactions with Local Authorities (Interaction subindex) indicates the percentage of respondents who contact local officials about their concerns (and whether those concerns are appropriately addressed), and the Response to Citizens' Appeals (Response subindex) refers to the percentage of respondents who submitted complaints to local authorities (and whether those complaints are appropriately addressed). Each subindex is equally weighted and has the maximum score of 3.33 points.

To quantitatively examine the impact of accountability on control capacity, I also collected the Vietnam's Provincial Security Dataset which record provincial-level security spending (military and police) from 2011 to 2018. The data are hand collected and digitalised from provincial statistical yearbooks of 63 provinces from 2010 to 2018, which are only available in print versions. To my knowledge, this is the first attempt to collect this type of data on security spending at the provincial level in Vietnam. Five central cities (Hanoi, HCMC, Can Tho, Da Nang, and Hai Phong) – which are under the direct control of the central government – are considered as outliers in the expenditure patterns and thus dropped in the analysis. Their average revenue is 115 trillion VND (five billion USD) with budget expenditure of about 50 trillion VND (2.3 billion USD), while most of other provinces' budget expenditure is larger than their respective revenue (Table 5-3). In addition, given the political importance of central cities, the patterns of repressive spending in those areas might be different from the rest.

The dependent variable is the provincial repressive expenditure, which consists of military and security expenditures. External accountability is the main explanatory variable, which consists of the PAPI accountability index and three PAPI subindices mentioned above. The main control variables include the level of social-economic development, proxied by the annual numbers of registered enterprises, their fixed assets, and the numbers of employment; demographic characteristics (population, and the literacy rate); and one-year lag of the accountability index. The provincial government's capacity is proxied by the annual collected revenue and the provincial expenditure. The provinces' overall security environment is proxied by lagged variables of repressive spending and the number of traffic accidents. The number of trials is used for robustness checks. The core model is illustrated as follows:

$$y_{pt} = \alpha + \beta Acc_{pt} + \theta X_{pt} + \partial L_{p(t-1)} + P_p + T_t + \varepsilon_{pt} \qquad (1)$$

Accordingly, y_{pt} is a budget allocation indicator of a province in year t for the repressive forces. Acc_{pt} denotes variables indicating the levels of accountability in a province-year, measured by the aggregated PAPI accountability index and three PAPI subindices. X_{pt} is a vector of control variables. $L_{p(t-1)}$ a vector of lagged variables. I also control for provincial fixed-effects P_p (such as sizes, climate, and so on) and year fixed-effects T_t (year-sensitive macroeconomic conditions such as inflation, national policies, and so on). I use the natural logarithm of the continuous variables in regressions to measure the elasticities of impacts.

Data description

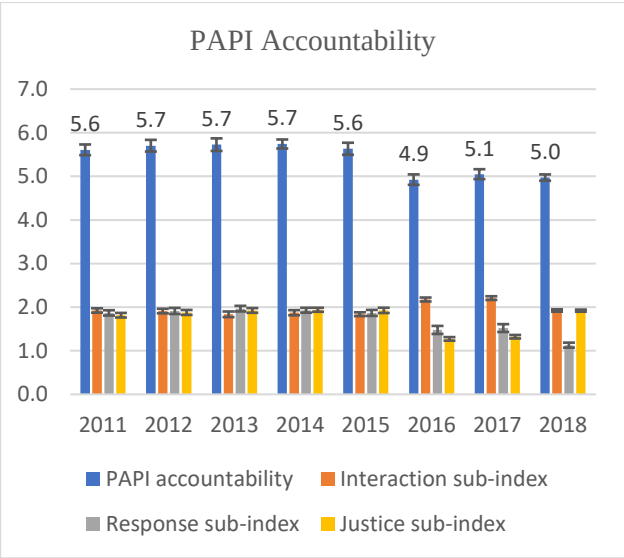
Table 5-3 describes the means and standard deviations of all variables employed in this section. Variables are mainly constructed in the panel data of 58 provinces from 2011-2018 (except five central cities). Repressive expenditure data is collected from 2010-2018 for two-year lagged variables[22].

[22] Most provinces bundle security and defence funding together as security-defence spending (chi quốc phòng-an ninh). However, there are a few cases that these two spending categories are separated.

Variables (unit)	Type/Unit	Years collected	Obs	Means	SD
Independent variables					
PAPI accountability	1-10 scale	2011-8	462	5.42	0.57
Interaction sub-index	Point scale	2011-8	462	1.96	0.23
Response sub-index	Point scale	2011-8	462	1.71	0.39
Justice sub-index	Point scale	2011-8	462	1.75	0.32
Dependent variables					
Repressive expenditure	billion VND	2010-8	501	264.1	384.1
Security spending	billion VND	2013	41	63.1	36.5
Defence spending	billion VND	2013	41	120.9	53.8
Control and condition variables					
Demographic characteristics					
Population	Million people	2011-8	464	1.2	0.6
Literacy rate	Percentage	2011-8	456	92.4	7.1
Economic development					
Number of registered firms	Thousand	2011-8	460	3.1	2.6
Registered firms' fixed capital	Trillion VND	2011-8	459	55.0	82.9
Number of registered firms' labour	Thousand people	2011-8	459	117.8	159.8
Provincial government's capacity					
Budget expenditure	Trillion VND	2011-8	462	14.6	8.4
Budget revenue	Trillion VND	2011-8	461	16.2	17.4
Security conditions					
Number of accidents	Number	2010-8	499	252	310
Number of trials	Number	2014-8	235	941	535

Table 5-3: Summary statistics of variables.

To compare the descriptive patterns by year, I use repressive expenditure as a percentage of the total provincial budget expenditure, because nominal repressive expenditure can increase overtime due to inflation. In Figure 5-8, accountability decreases while the percentage of repressive expenditure increase steadily overtime.



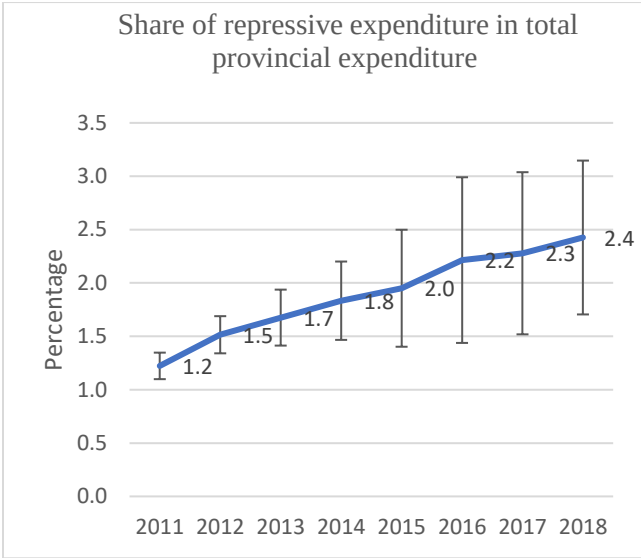


Figure 5-8. PAPI Accountability and share of repressive expenditure average by year. *Note: Lines refer to 95 per cent confidence intervals*.

I further visualise fluctuations by province in 2018, which shows the negative correlation between repressive expenditure and accountability in the Northern Central region and Central Highlands region (Figure 5-9). The detailed regression analyses are carried out in the next section.

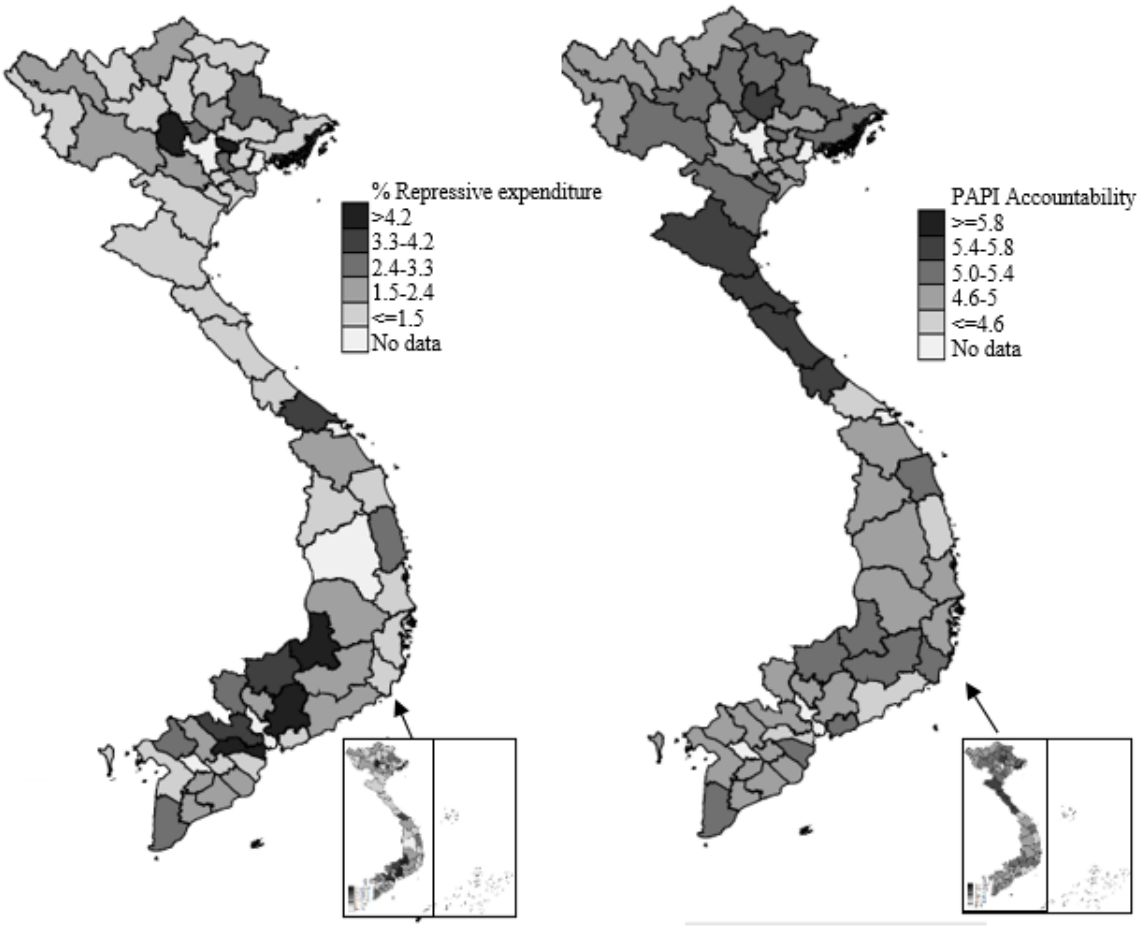


Figure 5-9: PAPI accountability and share of repressive expenditure by province, 2018.

Results and discussion

First, I estimate model (1) by regressing the log of repressive expenditure on the log of PAPI accountability and three different sets of controls (Table 5-4). In addition to key control variables (population, provincial expenditure and revenue, and the number of accidents in the province), I add the lagged control variables in the control set in the first four columns. Then I add the literacy rate in column (5) and use other variables measuring economic development in the last three columns. As the number of firms' labour strongly correlates with repressive expenditure (column 7) and there are no statistically significant coefficients of the number of accidents (Column 1-7), I run a regression (column 8) that drops the number of accidents and use the number of firms' labours for a proxy of economic development in the set of the controls. In all regressions, there are statistically significant and negative correlations between repressive expenditure and PAPI accountability. Take the coefficient in the column (8) as an example for

interpretation, a one per cent increase in PAPI accountability leads to a decrease of 0.502 percentage points in repressive expenditure.

VARIABLES	Lag variables				Literacy	Alternative economic variables		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PAPI accountability	-0.451*	-0.447*	-0.420*	-0.431*	-0.453*	-0.423*	-0.456*	-0.502**
	(0.246)	(0.257)	(0.237)	(0.242)	(0.249)	(0.237)	(0.235)	(0.247)
One-year lag of PAPI accountability	-0.348	-0.186	-0.238	-0.261	-0.351	-0.240	-0.261	-0.306
	(0.251)	(0.264)	(0.240)	(0.245)	(0.254)	(0.241)	(0.238)	(0.253)
Population	4.860***	3.316***	3.592***	3.680***	4.896***	3.635***	3.736***	3.810***
	(1.052)	(1.112)	(1.026)	(1.045)	(1.071)	(1.025)	(1.014)	(1.073)
Budget expenditure	0.849***	0.724***	0.822***	0.822***	0.854***	0.827***	0.748***	0.622***
	(0.116)	(0.119)	(0.115)	(0.118)	(0.118)	(0.115)	(0.118)	(0.122)
Budget revenue	-0.0519		-0.0666	-0.0622	-0.0542	-0.0669	-0.0725	-0.0559
	(0.0509)		(0.0486)	(0.0497)	(0.0524)	(0.0489)	(0.0482)	(0.0505)
Number of firms	0.0880		0.0578	0.0559	0.0880			
	(0.0892)		(0.0854)	(0.0867)	(0.0900)			
Number of accidents	-0.00890		0.0210	0.0218	-0.0159	0.0224	0.00706	
	(0.0583)		(0.0561)	(0.0577)	(0.0601)	(0.0561)	(0.0558)	
One-year lag of repressive expenditure		0.444***	0.338***	0.328***		0.340***	0.306***	0.302***
		(0.0550)	(0.0549)	(0.0582)		(0.0549)	(0.0558)	(0.0589)
Literacy rate					-0.694			
					(1.406)			
Two-year lag of repressive expenditure				0.0251				
				(0.0628)				
Registered firms' fixed capital						0.00234		
						(0.0175)		
Number of Registered firms' labour							0.246***	0.212**
							(0.0941)	(0.0995)
Fixed year and province effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-34.09***	-26.92***	-28.62***	-29.38***	-31.19***	-28.61***	-30.06***	-28.21***
	(7.809)	(8.164)	(7.520)	(7.638)	(10.43)	(7.528)	(7.463)	(7.893)
Observations	379	381	372	365	373	372	372	380
R-squared	0.541	0.587	0.589	0.586	0.541	0.588	0.597	0.564
Number of provinces	58	58	58	58	57	58	58	58

Table 5-4: Regressions of the log of repressive expenditure, 2012-18. Note: Robust standard errors in parentheses. ***p < 0.01, **p < 0.05, *p < 0.1.

I further regress the log of repressive expenditure on the log of accountability sub-indices and the set of controls in the column 8 of Table 5-4. The results in Table 5-5 show that the justice subindex significantly affects repressive expenditure and is a main contribution to

the overall impact. It should be noted that in the three subindices, only the justice sub-index is measured by the perceptions of the citizens on the accountability mechanism, while the two other indicators are calculated based on quantifiable and objective measures[23]. While clearer evidence is needed, this might mean that the citizens' perception affects the way repressive expenditure is allocated, because "objective" measurements – such as the numbers of meetings, consultations, or complaints – might be performative rather than offering a real solution to address the citizens' concerns. The case of performative governance in dealing with pollution complaints in China examined by Ding (2020) perfectly illustrates this phenomenon.

	(1)	(2)	(3)
Interaction subindex	-0.0651		
	(0.190)		
One-year lag of Interaction subindex	0.0515		
	(0.180)		
Response subindex		-0.149	
		(0.110)	
One-year lag of Response subindex		-0.175	
		(0.120)	
Justice subindex			-0.754***
			(0.204)
One-year lag of Justice subindex			-0.337
			(0.219)
Other controls and fixed effects	Controls in Column (8) of Table 5-4, excluding one-year lag of PAPI accountability		
Constant	-29.36***	-30.67***	-29.45***
	(8.033)	(7.925)	(7.723)
Observations	380	380	380
R-squared	0.557	0.562	0.578
Number of provinces	58	58	58

Table 5-5: Regressions of the log of repressive expenditure on accountability sub-indices. Note: Robust standard errors in parentheses. ***p < 0.01, **p < 0.05, *p < 0.1

I also carry out several robustness checks as well as estimate another model on the conditions and interactions that could affect the impact of accountability on repressive expenditure (regional disparity of the citizens' trust on the government). Given the limited space, these are included in the appendix.

[23] The Access to Justice Services Index examine levels of trust in courts and judicial agencies, and whether the respondents will use local courts and non-court mechanisms when having civil disputes. The other two indices measure the frequencies of their interactions with local authorities.

Regression analyses show that there is a negative association between external accountability and repressive expenditure in Vietnam at the provincial level as predicted in Figure 5-7. In other words, external accountability can play a "safety valve" role to the control capacity: the higher accountability is, the less resources the regime has to spend for control purposes. However, given the lack of more robust data, the quantitative evidence should be read with caution. The analyses above are carried out only for the Vietnamese case, and for a subset of control capacity (repressive expenditure is proxied for repression). There are other potential channels of impact which could explain for the divergence of control capacity in Vietnam and China, which will be examined in the next section.

Alternative explanations

There are alternative explanations to account for the divergence of control capacity in Vietnam and China during the reform era.

First, the personal choices of the leadership might matter. After the Tiananmen Incident, if central leaders in Beijing, particularly Deng Xiaoping, had chosen to deplete *weiwen*, the control apparatus would not have such a big influence in contemporary China. In Vietnam, the role of the security apparatus could have remained dominant as before the *Đổi mới* era if the leadership in Hanoi had chosen to maintain a high level of social control. However, historical evidence in both countries shows that although leadership choice plays an important role, once the choices are made, it is difficult to reverse course. So for China, because *weiwen* is an integral part of the strongman-style leadership, as long as this characteristic remains, control capacity will always be the priority. During the period of the Hu-Wen administration when the leadership was relatively more collective, there is evidence that repression was less overt, less proactive, and more tolerant than it is in the current Xi era (Fu & Distelhorst, 2017; Yao Li & Elfstrom, 2021). Some scholars have even suggested that the rise of Xi Jinping was due to an elite perception that China faced an existential crisis under the "weak" leadership of the Hu-Wen administration and therefore needed to return to strongman politics (Baranovitch, 2021; S. Lee, 2017). In contrast, in Vietnam, the nature of its post- *Đổi mới* collective system – which creates a relatively even balance of power among the top four posts (general secretary, prime minister, president, and the National Assembly's chairman/chairwoman) – prevents a particular leader from amassing too much power. The fragmentation of power understandably weakens

the control apparatus. Of course, this does not mean that Vietnam has a *weak* control capacity – there have been many discussions at both policy and academic levels on the country's extensive security apparatus (Thayer, 2014). However, the influence of that apparatus has reduced significantly since *Đổi mới*. The recentralisation of the Vietnamese state under General Secretary Nguyen Phu Trong is unprecedented, but whether his decision could change the path dependence remains to be seen.

Second, historical path dependence might shape the preference for control capacity. Under this scenario, with or without what happened in the Tiananmen Square, the CCP – following the Chinese imperial past – would still emphasise *weiwen* and social control anyway. This type of argument, in a sense, is one of cultural determinism: the CCP is just another Chinese empire that put a strong emphasis on social control (Zheng, 2009). This argument is tempting, but finding robust evidence is difficult. For example, how did the political culture transfer from the imperial past to the contemporary CCP leadership, given the turbulent history in between: the "Hundred Years of Humiliation", the Civil War, the Cultural Revolution, and the *Reform and Opening up*? In addition, this argument is unable to account for Vietnam's divergence of control capacity in the reform era, given that the imperial Vietnam was modelled on imperial China (Son, 2013) and thus presumably had no less desire for social control.

Third, there might be also a possibility of reverse causality: it is the control capacity that shapes political accountability in Vietnam and China rather than vice versa. This rationale has some credibility because the way political dynamics operate – internally and externally – to some extent depends on the space enforced by the control apparatus. For example, the relative openness of the internet in Vietnam – which partly contributes to a higher external accountability – is due to either to the lack of capacity or the unwillingness of the regime to impose control. However, this argument cannot explain how control capacity has developed in differently in the two countries since the reform era. Historical analysis shows that control capacity is not fixed in both countries, but changed substantially after the critical juncture (Y. Wang & Minzner, 2015). Certainly, my hypothesis does not assume that the impact of political accountability on control capacity is a one-way street. In reality, there are certainly positive feedback effects between political accountability and control capacity. This will be explained in more details in the next chapter.

Conclusion

This chapter has examined the divergence of control capacity in Vietnam and China since the reforms of the late 1980s. Control capacity has been broken down into two main categories, legitimation and repression, and the scope and cohesion in each country analysed. I found that while China has maintained a high level of control, Vietnam's control capacity has slowly weakened in the past decades. Taking the critical junctures of the late 1980s as a starting point, I argue that the changes in political accountability – both internal and external – can explain for the divergence. A more personalised regime in China required a higher level of legitimation and repression, while the collective leadership system in Vietnam led to a fragmented control apparatus where no single leader can impose their authority over the system. External accountability from the population, in a way, plays a "safety valve" role in Vietnam, so reducing the need for control, while playing a "pressure cooker" role in China and so enhancing the need for control. Empirical evidence in the case of Vietnam confirms this hypothetical observation. The distinction is, of course, more blurred in the real world, as whether popular pressures are considered a "safety valve" or "pressure cooker" depends very much on the rulers' perception. This, in turn, arose from events in the critical junctures.

Political accountability and control capacity have an interlocked relationship. Although political accountability initially affected control capacity, over time, there is a positive feedback effect that reverses the direction of impact. For example, the increased investment, both fiscally and politically, after the critical juncture helps create a self-reinforcing institutionalisation process for control capacity in China, which in turn affects the way control apparatus deals with political accountability. This is not unique to China; it has been documented in other authoritarian regimes such as North Korea (Gerschewski, 2013, p. 27). In Vietnam, the more lenient approach to popular pressure makes it much harder to build a coherent and strong control apparatus. For example, despite maintaining their important position within a one-party regime, the power of the police has been reduced for the past three decades. They are no longer allowed to directly engage in business activities, which used to provide them with vast wealth and power. The anti-corruption campaign has purged many senior officials at both central and local levels, further downgrading the police in the power hierarchy. Their weakened capacity, as a result, provides more space for the population to increase the accountability pressure, particularly in contested areas such as the internet.

The divergent control capacity poses a dilemma for the two regimes. No rulers want to put so much pressure in the cooker that social volcanoes erupt, yet they also do not want to loosen the safety valve on popular demand, which can lead to a similar result. As previous chapters argue, the choice of the "right mix" does not depend on a sole determinant, but on a specific configuration of three components of state capacity – extractive, governance, and control capacity. The next chapter will discuss Vietnam and China's state capacity configurations and their implication for political change.

Appendix

Robust analysis

I provide several robust analyses by running alternative regressions and testing sensitivity of the coefficients in the results described in the section of External accountability. First, because the number of accidents is seen as a weak control for security conditions, I use another variable, the number of trials during a 2014-18 period. Although the number of observations was substantially reduced, Table 5-6 shows there are the statistically significant coefficients for PAPI accountability and justice sub-index. Interestingly, the coefficient of the response subindex is negative and statistically significant at a 10 per cent significant level.

	(1)	(2)	(3)	(4)
PAPI accountability	-0.651*			
	(0.332)			
One-year lag of PAPI accountability	-0.622*			
	(0.328)			
Interaction subindex		-0.108		
		(0.333)		
One-year lag of Interaction subindex		-0.0642		
		(0.257)		
Response subindex			-0.255*	
			(0.130)	
One-year lag of Response subindex			-0.263*	
			(0.139)	
Justice subindex				-0.542*
				(0.298)
One-year lag of Justice subindex				-0.336
				(0.291)
Number of trials	-0.182	-0.234	-0.218	-0.203
	(0.200)	(0.204)	(0.198)	(0.200)
Constant	-32.86*	-29.79*	-36.16**	-30.50*
	(16.69)	(16.94)	(16.79)	(16.69)
Other controls and fixed effects	Controls in Column (8) of Table 5-4, excluding one-year lag of PAPI accountability			
Observations	222	222	222	222
R-squared	0.558	0.541	0.558	0.553
Number of provinces	52	52	52	52

Table 5-6: Regressions of the log of repressive expenditure, using the log of the number of trials to proxy the security environment. Note: using the log of the number of trials to proxy the security environment. Robust standard errors in parentheses. ***p < 0.01, **p < 0.05, *p < 0.1

Second, as outliers can influence the regression results, I keep observations with repressive spending in a range around the mean +/- three times the standard deviation of the distribution of this variable. The results of the coefficients of PAPI accountability and Justice subindex in the main text remain unchanged, and the coefficient of the Response subindex is statistically significant (Table 5-7).

	(1)	(2)	(3)	(4)
PAPI accountability	-0.497**			
	(0.226)			
One-year lag of PAPI accountability	-0.365			
	(0.234)			
Interaction subindex		-0.00143		
		(0.174)		
One-year lag of Interaction subindex		0.0348		
		(0.164)		
Response subindex			-0.197*	
			(0.101)	
One-year lag of Response subindex			-0.217*	
			(0.111)	
Justice subindex				-0.656***
				(0.189)
One-year lag of Justice subindex				-0.298
				(0.201)
Constant	-25.24***	-26.98***	-28.43***	-26.63***
	(7.242)	(7.386)	(7.233)	(7.107)
Other controls and fixed effects	Controls in Column (8) of Table 5-4, excluding one-year lag of PAPI accountability			
Observations	375	375	375	375
R-squared	0.603	0.595	0.604	0.612
Number of provinces	57	57	57	57

Table 5-7: Regressions of the log of repressive expenditure, dropping repressive spending outliers. Note: Robust standard errors in parentheses. ***p < 0.01, **p < 0.05, *p < 0.1.

To test the province sensitivity, I removed each province and run the same model as in Table 5-5. I employed the same strategy for year sensitivity. I only tested sensitivity from the subindices to avoid disturbance of the aggregated index. Among three sub-indices, the justice subindex passed these tests (Figure 5-10).

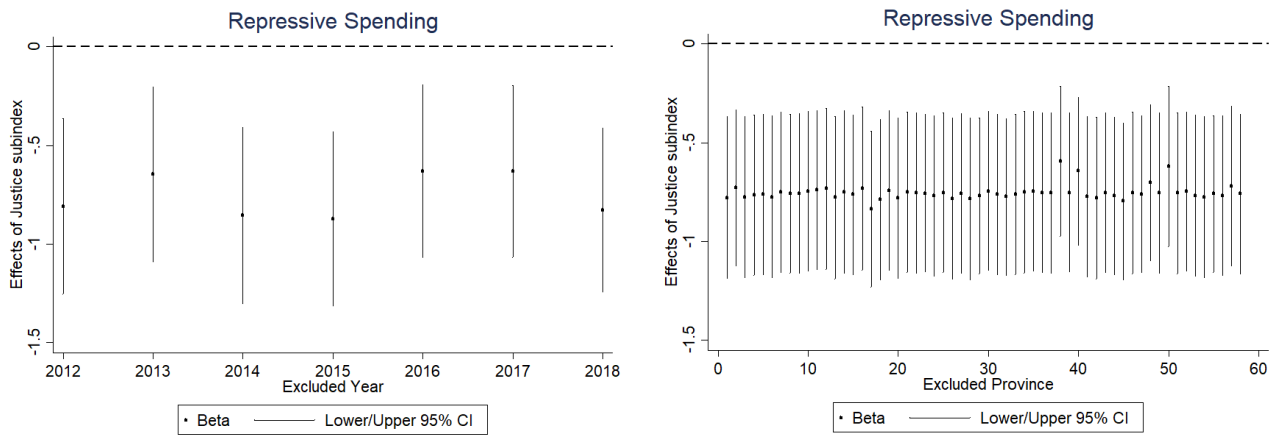


Figure 5-10. Year and province sensitivity for the impacts of the justice subindex.

Additional analysis

To assess conditions or interaction on the impacts of external accountability on repressive expenditure in Vietnam, I proxy them in several variables and add the interactions between the condition variables and accountability index to the equation (1) to see how sensitive the condition variables are on the impacts of accountability on repressive expenditure:

$$y_{pt} = \alpha + Acc_{pt}(\beta_0 + \beta_c\, Con_{pt}) + \theta X_{pt} + \partial L_{p(t-1)} + P_p + T_t + \varepsilon_{pt}$$

or

$$y_{pt} = \alpha + \beta_0 Acc_{pt} + \beta_c Acc_{pt} x\, Con_{pt} + \theta X_{pt} + \partial L_{p(t-1)} + P_p + T_t + \varepsilon_{pt} \qquad (2)$$

Con_{pt} is the condition variable. Details of the condition variables are introduced in Table 5-3. I use the natural logarithm of the continuous variables in regressions to measure the elasticities of impact.

As historical perception may affect the impact, I first examine the patterns of impact between province north and south of the 17th Parallel, the old border between the North and the South Vietnam during the Vietnam War. Quang Tri – the border province – is considered as Northern. As the Southern population might have less trust on the regime (as the legacy of the Vietnam War) (M. Truong & Schuler, 2021) while the regime is more cautious in dealing with the risks of mass dissatisfactions there, the expectation is that the correlation between accountability and repressive spending is less prevalent in the South. The regression shows that the interaction between being a southern province and the PAPI accountability index is positive and statistically significant, which implies that the negative impact of accountability on repressive expenditure is lower in the south. This interaction is reinforced through the impact of the Response subindex and Justice subindex (Table 5-8, columns 3-4).

Second, another possible condition is the capacity of the provincial government. On the one hand, provinces with high capacity might be able to assign more resources to the repressive forces, which will mitigate the impacts of external accountability. On the other hand, if their revenue is dependent on taxation, particularly personal income tax, the impact of external accountability might be amplified (as per the principle of "no taxation without representation"). Therefore, I use provincial revenue as another condition variable. Column 8 in Table 5-8 show that the impact of the Justice subindex on repressive expenditure is sensitive

with provincial revenue, which may support the condition of improved government's capacity. The results in Table 5-8 show that with more revenue collected, provinces can restrict the negative impact of accountability (justice subindex only) on repressive expenditure at a lower level. Further tests are required to assess the second premise on taxation and representation. Unfortunately, I do not have adequate data at the time this chapter is written.

Channel	**The 17th Parallel (South=1, North=0)**				**Revenue**			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PAPI accountability	-1.299***				-4.384			
	(0.324)				(3.671)			
Interaction subindex		0.160				3.331		
		(0.239)				(3.284)		
Response subindex			-0.338***				0.121	
			(0.124)				(1.548)	
Justice subindex				-0.879***				-4.912***
				(0.214)				(1.654)
South*PAPI accountability	1.275***							
	(0.345)							
South*Justice subindex		-0.456						
		(0.292)						
South*Response subindex			0.401***					
			(0.128)					
South*Justice subindex				0.307*				
				(0.159)				
Revenue*PAPI accountability					0.237			
					(0.224)			
Revenue*Interaction subindex						-0.211		
						(0.204)		
Revenue*Response subindex							-0.0164	
							(0.0937)	
Revenue*Justice subindex								0.254**
								(0.100)
Constant	-28.61***	-31.05***	-33.20***	-29.96***	-22.33**	-31.46***	-30.74***	-28.49***
	(7.738)	(8.087)	(7.857)	(7.694)	(9.642)	(8.283)	(7.948)	(7.666)
Controls	Column (8) of Table 5-4 with one-year lag of corresponding accountability variable							
Observations	380	380	380	380	380	380	380	380
R-squared	0.583	0.560	0.575	0.583	0.566	0.558	0.562	0.586
Number of provinces	58	58	58	58	58	58	58	58

Table 5-8: Channel analysis. Note: Robust standard errors in parentheses. ***p < 0.01, **p < 0.05, *p < 0.1.

Patterns of defence and security spending should be analysed separately in order to see whether there is any difference of their impacts on accountability. Because separate data of these variables is only available for 2013, I run regressions of those repressive indicators with

selected controls and region fixed effects. Results suggest that security spending are more sensitive with accountability than defence [columns (1), (5), and (9) of Table 5-9]. A possible explanation is because security spending deals with everyday policing of the population, and thus is more responsive to changes in the level of accountability. This might explain why security spending is impacted mainly by the interaction subindex (indicating how frequent citizens interact with the authorities), while defence spending is impacted largely by the justice subindex as results in Table 5-9.

Variables	Defence spending				Security spending				Repressive expenditure			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
PAPI accountability	-0.947*				-1.096*				-1.049*			
	(0.548)				(0.644)				(0.539)			
Interaction subindex		-0.189				-0.685*				-0.401		
		(0.315)				(0.354)				(0.308)		
Response subindex			-0.530				-0.471				-0.516	
			(0.461)				(0.573)				(0.467)	
Justice subindex				-1.153**				-0.521				-0.986**
				(0.448)				(0.602)				(0.470)
Constant	3.336	2.976	2.735	1.691	3.305	2.796	2.235	1.156	4.350*	3.949*	3.353	2.267
	(2.534)	(2.009)	(2.085)	(1.948)	(2.909)	(2.182)	(2.422)	(2.538)	(2.475)	(1.938)	(2.060)	(2.061)
Controls	Population, budget expenditure, one-year lag of the dependent variable and one-year lag of the corresponding accountability variable											
Fixed effects	Region											
Observations	39	39	39	39	39	39	39	39	39	39	39	39
R-squared	0.704	0.686	0.686	0.753	0.738	0.748	0.718	0.724	0.684	0.675	0.657	0.706

Table 5-9: Patterns of defence and security spending. Note: Robust standard errors in parentheses. ***p < 0.01, **p < 0.05, *p < 0.1.

In addition, I estimate the correlations between PAPI accountability with five other PAPI indices: (1) Participation at Local Levels, (2) Transparency, (3) Control of Corruption, (4) Public Administrative Procedures, and (5) Public Service Delivery during the 2012-18 period. These indices represent Vietnam's overall institutional environment. Similar to the accountability index, those five indices are scaled from 1 (bad quality) to 10 (good quality). I run regressions of the other five indices on the PAPI accountability with several controls: (1) economic and demographic features (population, literacy rate, number of registered firms' labour), (2) provincial government's capacity (budget expenditure and revenue), and (3) governance condition (one-year lag of the dependent variable and one-year lag of the PAPI accountability with fixed effects for both provinces and years). The results in Table 5-10 shows that PAPI accountability strongly and significantly associates with these five indices. Among them, transparency and control of corruption are the two most correlated indices (the largest coefficients). This can be read that accountability can help improve the overall institutional environment, which in turn affects government expenditure on control capacity.

VARIABLES	**Participation at Local Levels**	**Transparency**	**Control of Corruption**	**Public Administrative Procedures**	**Public Service Delivery**
	(1)	(2)	(3)	(4)	(5)
PAPI accountability	0.197***	0.277***	0.263***	0.148***	0.0697***
	(0.0493)	(0.0457)	(0.0545)	(0.0258)	(0.0240)
Constant	0.967	0.442	-2.084	4.473***	1.390
	(2.135)	(1.964)	(2.371)	(1.123)	(1.026)
Controls and fixed effects	Controls: population, budget expenditure, revenue, literacy rate, number of registered firms' labour, one-year lag of the dependent variable and one-year lag of the PAPI accountability; fixed effects for both provinces and years				
Observations	391	389	389	391	391
R-squared	0.359	0.404	0.315	0.486	0.281
Number of provinces	57	57	57	57	57

Table 5-10: Correlations of PAPI accountability and the other PAPI indices, 2012-18. Note: Robust standard errors in parentheses. ***p < 0.01, **p < 0.05, *p < 0.1. Natural logarithm of continuous variables is used for measuring elasticities.

Given limitation of the data, I cannot fully examine other possible conditions and channels of impact. However, this section provides some important findings on the correlation between external accountability and repressive capacity in Vietnam and to some extent vindicates the "safety valve" argument laid out in Figure 5-7.

Chapter 6 - State capacity, Authoritarian resilience, and Political Change in Vietnam and China

In the previous three chapters, I have examined the development and divergence of state capacity in Vietnam and China from the onset of the reform era. I found that differences in political accountability had created different configurations of state capacity: while Vietnam's high accountability model has a configuration of high extractive, low control, and expansive governance capacity, China's low accountability model results in a configuration of low extractive, high control, and cohesive governance capacity.

"So what?" it could be asked. The logical next step is to investigate whether these variations in state capacity affect the resilience of the two states and the prospects for political change in them. This chapter answers the question by comparing how the Vietnamese and Chinese regimes preserve their resilience in the face of the "twin problems" of power sharing and power control (Svolik, 2012). In so doing, I will return to the state capacity framework introduced in Chapter 1 (Figure 1-4) to analyse the problems facing each regime as a result of their respective accountability models.

The chapter proceeds as follows. First, I discuss the role of state capacity in contributing to authoritarian resilience in Vietnam and China. Second, given the configurations of state capacity in two countries, I analyse the specific problems and risks that each regime might face; these constitute the necessary conditions for change. Third, extending the nested games analysis in Chapter 2 and applying Gerschewski's four-dimensional framework, I examine different scenarios of institutional change in two regimes, which would constitute sufficient conditions for change. The chapter concludes with reflections on the prospects of political change in the two countries.

The recipe for resilience

As noted in Chapter 1, how a regime survives and thrives depends on an adequate combination of their fiscal base[24], governance capacity, and control capacity. On the one hand,

[24] I use "fiscal" and "extractive" capacity interchangeably in this thesis, both of which mean the ability of the state to generate its revenue.

while autocracies usually stand out for their control capacity, depending solely on the power of the gun is not a sustainable way to maintain resilience. Military dictatorship have the shortest lifespan among authoritarian regimes (Geddes, 1999), while long-lived ones such as North Korea faces chronic crises and are hardly "resilient" (not to mention that DPRK is a highly unusual case). On the other hand, the Soviet Union (USSR), which maintained a state monopoly of economic resources and redistribution (in a sense reflecting extractive and governance capacities), could neither survive external shocks nor avoid systemic decay.

Following the collapse of communism in Europe, Vietnam and China both moved away from the traditional Leninist system pioneered by the USSR towards what is commonly known as the "socialist market economy" model (Hansen, Bekkevold, & Nordhaug, 2021), which tries to maintain the optimal balance among the three aspects of state capacity. Four decades later, the two countries, particularly China, have reached an unprecedented level of economic development while keeping their political environment highly stable. It is not an exaggeration to regard both as "high-performing autocracies" (Q. T. Nguyen & Nguyen, 2020).

Yet although China and Vietnam both seem to be "resilient", their specific recipes are different.

In Vietnam, the most noteworthy characteristic of extractive capacity is the shift away from a domain to a tax state model. The regime's fiscal revenue is increasingly dependent on tax extraction from the non-state sector. On governance capacity, the Vietnamese state has tried to accommodate popular demand – at the cost of efficiency improvement as it has lacked the resources to reinforce its own administrative strength or to invest more in key infrastructure projects and R&D (Malesky, Abrami, et al., 2011). Meanwhile, its control capacity, despite its omnipresence, has steadily declined since the onset of *Đổi mới* in 1986. Theoretically, an autocracy will be in trouble if its control capacity decreases because it will then be vulnerable to the risk of mass uprisings. Nevertheless, Hanoi has not faced any serious regime-threatening incidents through the past four decades. The VCP has done this by increasing genuine popular (or specific in Gerschewski's word) support via its more redistributive policies. As noted in Chapter 5, Hanoi's responsiveness to popular demand serves as a key safety valve. This also allows the regime to increase the share of non-state revenue as the state sector gradually retreats from the economy. I call this configuration the high-accountability model of authoritarian

resilience, combining high extractive capacity, expansive governance capacity, and low control capacity.

In China, control capacity that emphasises stability maintenance (*weiwen*) has been strengthened since the Tiananmen Incident in 1989. In a way, this provides a solid foundation for rulers to improve the capacity to rule on the governance side, as the regime can disproportionally prioritise economic development over addressing popular concerns. This creates the growth and representation dilemma (C. Zhang, 2017), which Chinese rulers attempt to solve by maintaining a strong presence of the state sector in the economy in order to compensate for the lack of taxation. This configuration resembles a low-accountability model, combining low extractive capacity, cohesive governance capacity, and high control capacity.

The above configurations, though have helped the two regimes survive and thrive during through the past four decades, expose them to different sets of problems. The next section examines each regime's problems, with special attention on how these are related to the autocracy's famous twin problems of power control and power sharing (Svolik, 2012) based on my state capacity framework in Figure 1-4.

The problems of low-accountability regimes

In terms of fiscal stability, China's biggest problem is to find a long-term, sustainable source of revenue. The low-accountability nature restrains it from extracting more taxation, particularly from personal income taxes (PIT), which are the main source of revenues for developed countries. Direct taxation more often than not creates a "taxpayers' consciousness" which leads to rising demand of representation and accountability. Beijing avoids direct taxation by being heavily reliant on indirect ones, particularly value-added taxes (VAT) (accounting for around 40 per cent of its budget revenue since 1993). In addition, state-owned enterprises (SOEs) not only function as a policy tool but as a cash cow for the state. Revenue from SOEs accounts for at least one third of the state budget. Another source of alternative funding comes from non-tax revenues, mostly land sales and natural resources. The former has been a key channel of income generation for local governments since the 1993-94 fiscal reform, when Beijing drastically reduced the retaining rate of tax revenue for provinces. These characteristics make China a quasi-tax, quasi-domain, and quasi-rent state despite four decades of market transformation.

There are many challenges to this fiscal model. Indirect taxation has its limit: sooner or later, the population – which shoulders the burden of VAT, it being a tax on consumption – will feel the pressure. Indirect taxation systems are regressive – the poor consume most of their income so a consumption tax like VAT weighs heavily on them; but the rich, who save or invest a significant proportion of their total income. This explains why China is one of the world's most unequal societies, despite its self-proclaimed egalitarian communist ideology. As a result, the principle of "no taxation with representation" applies to the regime in a no less different way from PIT. Increasing taxation from enterprises is not an easy option. China already has one of the world's heaviest tax burdens on business. Profits are taxed at 62.6 per cent (inclusive of social security contribution and other levies), enterprises in China already pay 20 percentage points more than the average of their OECD counterparts (World Bank, 2021a). Such a high tax rate demotivates both domestic and foreign business, and indeed foreign investors have already been shifting their production out of China.

Whether furthering the operation of a "domain state" by empowering state-owned enterprises and state-controlled businesses is viable remains unknown. Although Chinese SOEs dominate the economy, they are far less efficient than their non-state counterparts (Lardy, 2019, pp. 49-63). Chinese private businesses, such as Alibaba, Tencent, or ByteDance, have proven to be the country's most innovative forces. It is thus a big gamble to impose tighter political control over the private companies – reflected in the crackdown on the technology sector in mid-2021 – while expecting that SOEs are capable of being just as innovative. The 2013 mixed ownership reform was an effort to mitigate the SOEs' weaknesses by fusing the state with the private sectors. While there is some empirical evidence that this reform might bring about more efficiency to state firms (Guan, Gao, Tan, Sun, & Shi, 2021; Xiaoqian Zhang, Yu, & Chen, 2020), it is less certain that the whole initiative could be sustainable. Milhaupt (2020, p. 377) argues that that would require the party to stop intervening into SOEs' internal workings, similar to the Singaporean model, but that is not politically feasible. Economy (2018, p. 113) believes the program is simply a means to reduce the state's fiscal burden by bringing in private capital, while Lardy (2019, pp. 96-97) is pessimistic about the capability of mixed-ownership reform to improve the SOEs' lagging performance.

Rent extraction is critical to the state budget, particularly at local levels, as the over-centralisation of fiscal revenue puts local governments in a difficult financial situation. To fund

unfunded central mandates, they have to either take loans in various forms or raise non-tax revenue, particularly via selling land rights. Neither option is sustainable. Many scholars have questioned the sustainability of China's local government indebtedness, which have increased steadily – and at times sharply – since the fiscal reform in 1994 (A. Y. Liu, Oi, & Zhang, 2021; Magnus, 2018; Orlik, 2020). In total, China's official government debt has increased from 140 per cent GDP in 2008 to a staggering 300 per cent GDP in 2020 (A. Lee, 2019). For the latter, real estates and construction industries account for one third of China's GDP, and land sales account for 36 per cent of local governments' fiscal revenue in 2018 (Figure 6-1) (Rogoff & Yang, 2021, pp. 8-9). But China's rapid urbanisation means that it is close to the point where urban expansion will plateau. China's urban dwellers already account for 60 per cent of the population, not much less than the 70 per cent average share of urban population of developed countries (Z. Cai et al., 2019). The Evergrande crisis in the late 2021, which involves China's biggest property developer, is a worrying sign about the coming crash of China's property market (Stevenson & Li, 2021), one which will ultimately trigger a domino effect on local fiscal revenue.

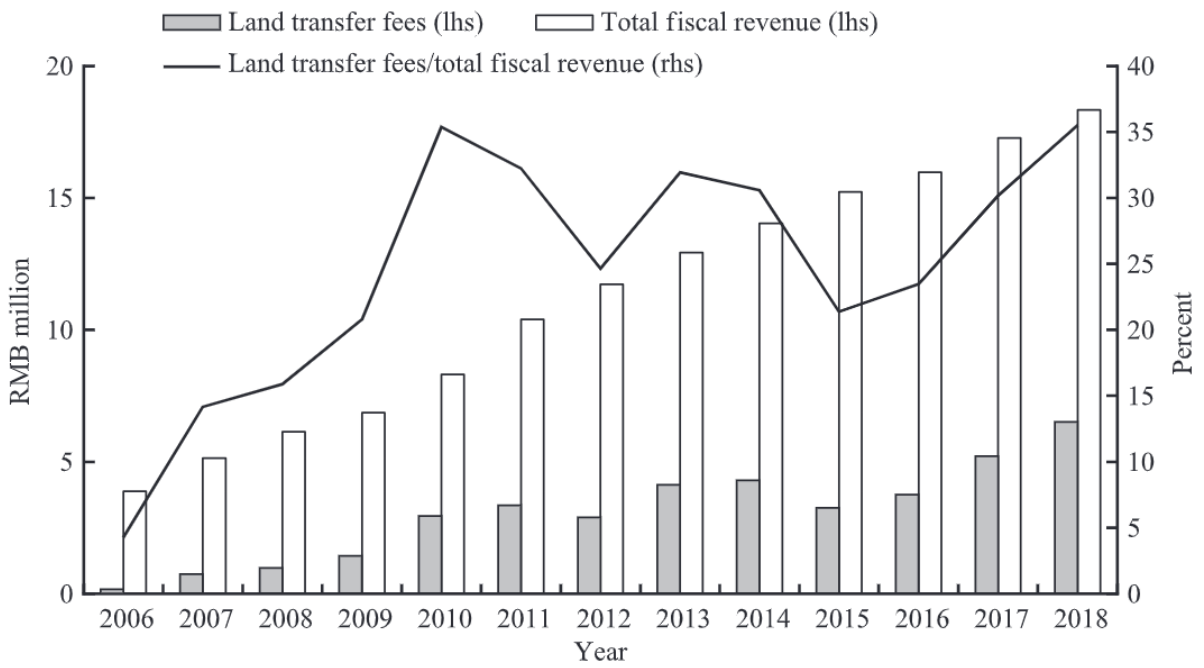


Figure 6-1: Land finance for local governments in China, 2006-18. *Source: Rogoff and Yang (2021, p. 9) compiles from China's Ministry of Finance.*

China's extraction model affects its governance practices. It prioritises investing in efficiency – such as infrastructure and R&D – to further empower the "domain" state over more redistributive spending on healthcare and education (Chapter 3). This has potentially serious implications for the problem of power control, as inequality often precipitates public dissatisfactions and the possibility of mass unrest (Acemoglu & Robinson, 2006; Boix, 2003). The obvious solution is to reduce inequality by a more inclusive redistribution program, which is notable in Hu Jintao's "Harmonious Society" and Xi Jinping's recently promoted "Common Prosperity". However, rechannelling resources in such a fashion would require a structural shift of China's governance capacity, which is hugely challenging given the nature of institutional resistance to change, as shown in the initial setbacks of the "Common Prosperity" campaign (H. He & Cai, 2022).

The other solution is to double down on repression and legitimation efforts. This approach fits the Acemoglu and Robinson (2006, p. 41)'s theoretical expectation that highly unequal societies are unlikely to democratise as regime elites will resort to whatever available means to prevent anything that threatens their hold on power. Given the elite preference after the critical juncture in the late 1980s Beijing has focused primarily on this strong-hand approach (Chapter 4). The massive political and financial investments have undoubtedly helped China build a formidable control capacity to uphold *weiwen*. As a result, although the "pressure cooker" might risk overheating, most China watchers agree that the prospect of a "bottom-up" regime change in China is small.

However, the emphasis on control capacity is not problem-free. High control capacity requires a high level of power concentration, but that is one of the biggest concerns of authoritarian regimes (Magaloni, 2008; Svolik, 2012). On the one hand, coercive institutions built to prevent mass-based threats might be insufficient to prevent coups (Greitens, 2016). Indeed, coups by insiders – "palace" coups – are the most dominant way of regime change (Márquez, 2017, p. 85). Although China's highly institutionalised system makes a successful coup unlikely, the odds will not be loaded against the possibility. In 2012, an alleged rival of Xi Jinping, the then Chongqing party secretary and fellow Politburo member Bo Xilai, was arrested for – in the words of Xi Jinping himself – engaging in a "political conspiracy" to destroy the CCP in conjunction with the once powerful security chief Zhou Yongkang (Mattingly, 2021, p. 27).

Further, although power consolidation may not pose an immediate threat to regime stability, its problems are structural and much more difficult to resolve. In the long term, personalised regimes are hardly resilient as they tend to be more corrupt and less competent in economic management (Ezrow & Frantz, 2011). China has its own costly experience of this under the turbulent rule of Mao Zedong, which was also the main reason why Deng Xiaoping wanted to rebuild the collective leadership principle when he ascended to power. However, the promise of collective leadership was kept only when policy orientations went in Deng's preferred direction. Two reformist CCP general secretaries Hu Yaobang and Zhao Ziyang were dismissed, and the Tiananmen protesters were violently repressed. The selections of Jiang Zemin and Hu Jintao as the next generation of Chinese leadership were very much Deng's own decisions (chapter 2), instead of being collectively made. As such, Deng's overwhelming personal authority undermined his own goal of dismantling the "over-concentration of power" in the system (Deng, 1984, p. 311).

The relatively orderly succession from Jiang Zemin to Hu Jintao made the impression that Chinese elite politics had institutionalised (Nathan, 2003). However, several scholars, particularly Fewsmith (2018) and Gilley (2003), cast doubts over this assertion, considering it as either an outlier or the mere impact of Deng's endorsement. Even this example is not perfect: Jiang Zemin only gave up his Central Military Commission chairmanship two years after the transition. In 2017, Xi Jinping threw the norm of "orderly succession" into the abyss, as the National People's Congress (NPC) removed the president's term limit, paving the way for Xi to stay in power beyond his second term. Power concentration inevitably exposes China to two intertwined risks: the "bad emperor" problem (Fukuyama, 2011) and a succession crisis (Geddes, Wright, et al., 2018, p. 201).

The "bad emperor" problem does not necessarily start with a bad ruler. However, when he is able to form an "established autocracy" – which theoretically eliminates all credible elite threats (Svolik, 2012) – the personalist ruler is much more likely to make mistakes as he is now surrounded by yes men who are unwilling and powerless to hold him back from a course of action. Even when brave individuals present the dictator with critical information, these are normally received with doubt and ignored, as was the case with Mao Zedong and the Great Leap Forward (Bernstein, 2006). Indeed, the most disastrous policies are often made by

personalist rulers, an outstanding recent example being the decision to invade Ukraine by Russia's Vladimir Putin in early 2022 (Kendall-Taylor & Frantz, 2022).

Xi Jinping (b 1953) has been in office for ten years, not yet as long as other established personalist rulers. However, he has populated the Politburo and the Politburo's Standing Committee with his loyalists (Economy, 2018, pp. 25-26), purged potential challengers with his unprecedented anti-corruption campaigns (McGregor, 2019), and built himself up as a father figure of China equivalent to Mao (T. C. Lee, 2018). With the constitutional term limit on his presidency removed in 2018, there is little doubt that Xi's rule will extend beyond the end of his second term at the 20th CCP National Congress in 2022. There is also little doubt that the party-state under his rule will last long, as do other established autocracies. However, the longer Xi stays in power, the more vulnerable the regime will be during the succession crisis after his death (Geddes, Wright, et al., 2018, p. 201). Scholars have already discussed and speculated on likely scenarios for Chinese elite politics after Xi Jinping (McGregor & Blanchette, 2021), and have looked back patterns observed in China's imperial history and in the Mao era (Y. Wang, 2018).

The problems of high-accountability regimes

The high accountability regime in Vietnam faces a different set of problems.

In terms of fiscal resources, although high accountability in theory allows the state to extract more taxes from the population, the process is not straightforward. I argue elsewhere that extraction in Vietnam might have a U-shaped form: under popular pressure, rulers will first have to reduce the taxation level when facing an incipient risk of social unrest (K. G. Nguyen & Nguyen, 2021). Higher taxation can only follow when some forms of accountability are in place. As a result, high-accountability regimes find it difficult to maintain a sustainable source of income from taxation. The leadership in Hanoi has learned this lesson from several episodes since the 1990s. The regime has tried, and failed, to raise taxes on a number of occasions due to protests from the public (K. G. Nguyen et al., 2017). In sum, in the first phase of the regime's development (Figure 6-2), it had to simultaneously *reduce* the extraction rate and *increase* accountability. This means it has to accommodate more popular demand while scaling back taxation. This is no doubt a herculean task.

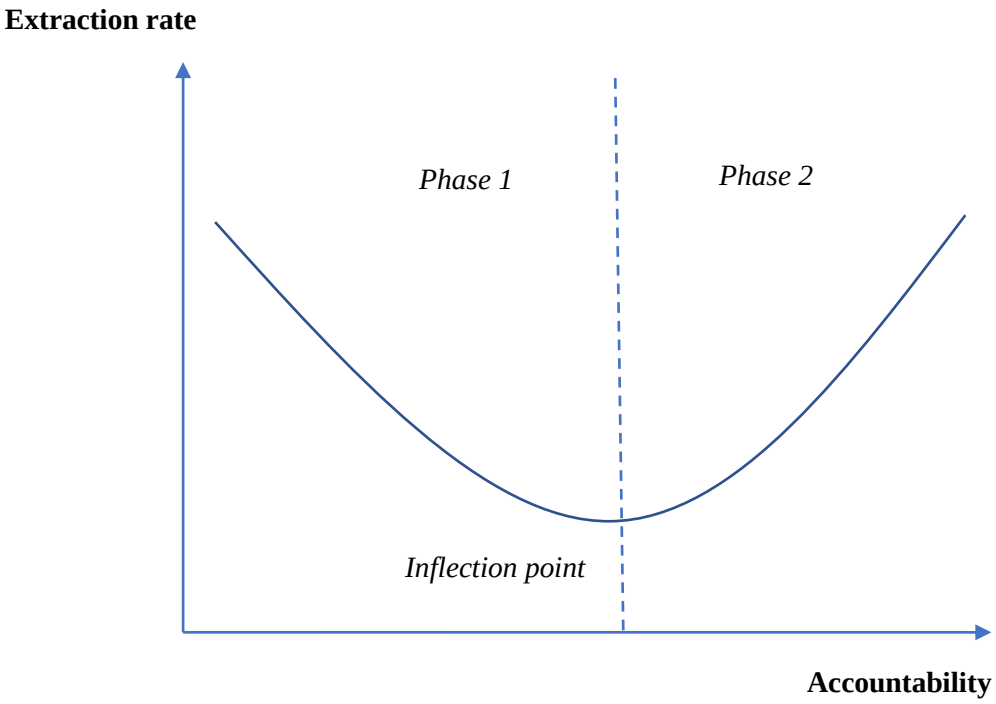


Figure 6-2: A conceptual model of extraction and accountability in high-accountability regimes.

Indirect taxes, most prominently VAT and environmental protection taxes (EPT), are prioritised by the Vietnamese state as these obligations are not paid directly by the citizens, stay "hidden" from the public's eye and are therefore less likely to become politically charged. However, no taxes can stay hidden forever particularly as indirect taxation disproportionally affects the poor majority of the population. Before COVID-19, the state's efforts to increase VAT – which was at the globally standard rate of ten per cent – and EPT met fierce criticisms from both the public and the National Assembly, and the government had to back down (Phuong Dung, 2018). After COVID-19, facing another wave of public pressure for tax relief, the government decided to reduce VAT to eight per cent (Vu Phuong Nhi, 2022) and the EPT rate for petroleum by 20 per cent (Chi Kien, 2022). In total, these moves are expected to reduce state revenue by around three billion USD, equivalent to five per cent of tax revenue in 2019.

As analysed in chapter 3, the Vietnamese state also depends on rents – including land sales and natural resources such as crude oil – to fund the budget. As in China, these are not long-term solutions. Oil revenue as the share of the state budget has decreased dramatically from around 25 per cent in the 1990s to just three per cent in 2019. Land sales can partly

compensate for the reduction, but when the rate of urbanisation – currently at 40 per cent of the population – levels off, that source will also dry up.

Vietnam's high-accountability system creates a problem of power control when land sales increase. As the authorities in Beijing have found out, land sales are magnets for corrupt practices and often ignite mass dissatisfactions. Complaints over land disputes account for 70 per cent of the total citizens' complaints to the government (Ho Huong, 2019) and 98 per cent of complaints in the area of environment and natural resources (Khanh Thi, 2019). If "rightful resistance" proves ineffective, disgruntled citizens are likely to carry out more unruly protests or coordinate collective action with fellow farmers (Benedict J. Kerkvliet, 2014, pp. 39-40). The trend is increasingly worrying for the regime as Vietnam has accelerated land appropriation for industrial development in recent years. In 2012, thousands of villagers in Hung Yen, a province bordering Hanoi, clashed with around 2,000 riot police as they protested against the state decision to transfer 500 ha of rice paddy to a property developer (Reuters, 2012). In 2013, a farmer in Hai Phong, a centrally administered city 100km from Hanoi, fought back a forced land acquisition with guns and homemade bombs, injuring six police officers (D. Brown, 2013). In 2020, a decades-long protest of farmers in Dong Tam village, just 40km from Hanoi's centre, turned into a violent night raid which resulted in the deaths of three policemen and the protest leader –84-year-old Le Dinh Kinh – who was a lifelong party member (BBC, 2020a). In sharp contrast with previous land-grab protests, the Dong Tam incident was widely known on social media where villagers made livestreaming videos and wrote posts to communicate their narratives of the events to the wider public (M. Truong, 2020). Since Dong Tam, this has also happened with other recent land protests across the country, as the authorities have struggled to control the flow of information on the internet. The prospect of coordinated action among farmers on a scale sufficient challenge the regime is remote (Schuler & Truong, 2020), but there remain serious risks to political stability.

Accordingly, rising land-grab unrest confronts Hanoi with a dilemma. Doubling down on repression might sow further discontent. It also requires rechannelling more resources into control capacity – particularly into the police – which might in turn undermine the power balance in its collective leadership system. When the Ministry of Public Security (MPS)

proposed to unify grass-roots security forces[26] under its management in 2020, there were outright protests from the National Assembly and the proposal was swiftly dismissed (Hoang Thuy & Viet Tuan, 2020) even though these forces would have allowed the MPS to monitor and deter grass roots discontent. Contrarily, giving in to farmers' demands will not only affect the regime's finances, but also could slow down its industrialization program, because a fairer land acquisition process will inevitably take more time and effort to carry out. But as the VCP aims to increase the level of urbanisation from 40 per cent in 2019 to 50 per cent in 2030 (V. T. Lam & Hang, 2021), this decade will likely see more land-related incidents.

The lack of sustainable financial resources exacerbates Vietnam's overstretched governance capacity. As examined in Chapter 4, the politically equalised nature of state spending creates inefficiencies. While running one of the largest infrastructure budgets in Asia (World Bank, 2018), Vietnam has a poor record of "value for money" as every province wants to have a bite regardless of actual need. For example, almost all provinces have asked for airports despite the fact that only six out of 22 active airports reported a profit before the pandemic (Tuan Phung & Thu Dung, 2020). When one province is elevated in administrative status[27] – which allows them to receive more central funding for infrastructure – the others will complain and request to be treated the same way (Hoang Van, 2011). The country's economic powerhouse, Ho Chi Minh City – which contributes 30 per cent of the total state budget – has seen its revenue trimmed more than any other provinces to allow redistribution by the centre to poor provinces (Chapter 4). It has been unable to take advantage of its growth potential (Huynh, 2020).

This pattern of governance spending, while guaranteeing a more just redistribution through a preference for human capital spending (such as healthcare and education) over efficiency spending (infrastructure and R&D), has created a vicious circle for the country's long-term development trajectory. To increase the resources allocated to welfare, the regime needs to invest more in infrastructure and efficiency. Yet that would mean restructuring the

[26] These are civil militia forces who are occasionally called into action for security monitoring, firefighters, and other duties in the local areas. The forces are under the control of different state agencies, including the MPS, Ministry of Defence, and local authorities. These forces are estimated to have 1.5 million people.

[27] Vietnam's urban administrative management has six levels, from the lowest ranked (towns) to the highest (special urban areas such as Hanoi and HCMC). The higher one's status is, the higher amount of investment and incentives it may receive from the central government.

current redistributive system, which will inevitably make it less egalitarian. There is yet to be a leader powerful and willing enough to break the circle. For example, when a draft proposal on public investment for 2021-25 allocated only 3.8 per cent of the total fund to education (compared with 74.1 per cent for economic investment, 7.7 per cent for defence), for example, many National Assembly members objected and demanded more money for education (Hoang Thuy, 2021). (Note that this is only capital account; state spending for education – as required by the Education Law 2019 – must be at least 20 per cent of the total (Vietnam National Assembly, 2019).

Its financial problem also constrains Vietnam's bureaucracy. Vietnamese public servants have low salaries, even in comparison to workers in the informal sector (Mai Huong, 2017). The benchmark monthly salary is 1.3 million VND (60USD) and the salary for the highest-level servant – i.e. one of Vietnam's "four pillars" of leadership – is 20 million VND (900USD) per month (Thu Hang, 2019). To compare, Singaporean PM Lee Hsien Loong receives around 1.62 million USD annually, or 135 thousand USD monthly (Singaporean Administrative Service, 2022). Understandably, Hanoi is unable to attract the best and the brightest into the public sector, as Singapore or China have. Career public servants are convinced they cannot survive on their salary must exploit their office for financial gain (Pham An, Duc Hoang, & Ha Quang Minh, 2021). Hanoi admits the current salary system is too "egalitarian" and demotivates public servants (Vietnam Ministry of Finance, 2018). It would be feasible to reform if total numbers of public servants could be reduced but the bureaucracy has remained excessive in number despite more than 30 years of reform initiatives. The state (exclusive of SOEs) still employed more than three million people as of 2020 in a country of 98 million (Le Vinh Tan, 2020), the highest rate per capita in Southeast Asia (VnExpress, 2017). For SOEs, although state employment decreased three percentage points from 10 per cent of the total workforce in enterprises in 1999 to 7.3 per cent in 2020, there has been no mass exodus of workers in the state sector as seen when Chinese SOEs were reformed in the 1990s (Y. Wang, 2014). In the VCP's documents on SOE reform, a major theme is how to protect the rights and the employability of SOE workers after privatization/equitization (Vietnamese Communist Party, 2016b, pp. 610-612). Similar to spending patterns, administrative reform falls into a vicious circle: to improve efficiency, the state needs to invest

more. Yet to invest more, it needs to make politically difficult decisions, such as mass layoffs of SOE workers and civil servants, at odds with the regime's high-accountability nature.

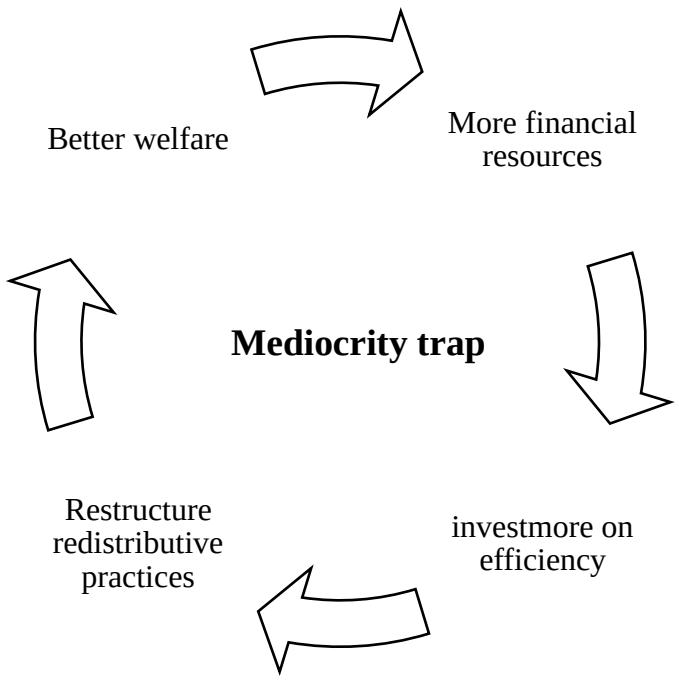


Figure 6-3: Vietnam's mediocrity trap.

The situation leads to the stalemate which I call the "mediocrity trap" (Figure 6-3): the regime can neither improve the welfare system according to the increasing popular demand nor amass sufficient resources for its ambitious economic development targets to take off. Pham Chi Lan, a prominent Vietnamese economist, once lamented that "Vietnam is neither an underdeveloped or developing country, but a country that is unwilling to develop" (Hai Chau, 2015). David Koh referred the management problems of the Vietnamese state apparatus as one with Parkinson's disease (Koh, 2001, p. 536).

Madam Lan's comment reflects a wider public perception of underachievement. Surveys might not reveal the whole picture but are nevertheless useful in sketching some general trends. The World Bank's Worldwide Governance Indicators, for example, show that while there is a gradual increase in the perception of Vietnam's government effectiveness and regulatory quality in the 1996-2020 period, its performances on the control of corruption and

voice and accountability are largely unchanged and below average (World Bank, 2022) (Figure 6-4).

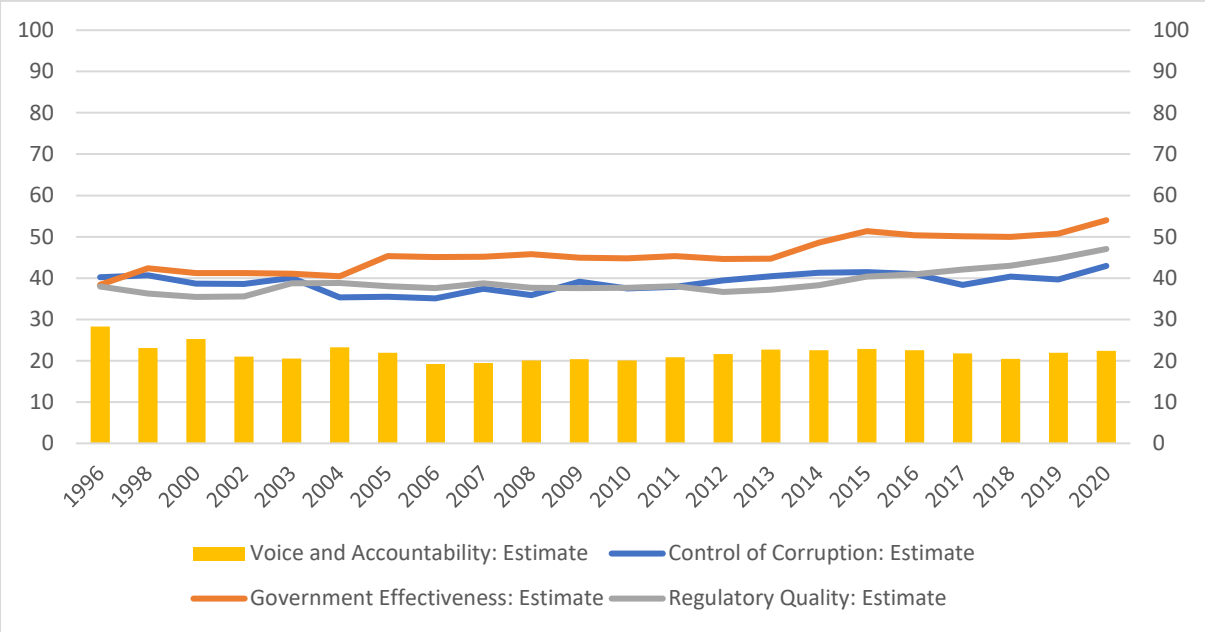


Figure 6-4: Selected indicators of Vietnam's governance, 1996-20. Note: 1-100 points. I converted the original scale (-2.5 to 2.5) to a 100 scale for better visualization. *Source: Worldwide Governance Indicators.*

The average score for public service delivery in the Viet Nam Provincial Governance and Public Administration Performance Index (PAPI)[28] has stagnated since its inauguration in 2011 (Figure 6-5). Other anecdotal evidence seems to support the survey results. Although the number of "wildcat strikes[29]" of workers has slightly decreased after peaking at 978 incidents in 2011 (Benedict J. Kerkvliet, 2019, p. 15), there have been large strikes where the authorities seem struggling to control the spill-over. For example, strikes against a revision of the social insurance law, which did not allow workers to receive one-off social insurance payments when they left the workplace, involved around 90,000 workers in HCMC in 2015 (Buckley, 2021, p. 80) and ended with the National Assembly's concession. One interesting relevant observation is that strikes are increasingly about rights-based demands (legal rights such as social security pay-outs) instead of interest-based demands (such as pay rises) (Chi, 2019), which put the state rather than employers into direct confrontation with workers.

[28] On PAPI, see Chapter 5.
[29] Strikes that are not approved by the labour unions.

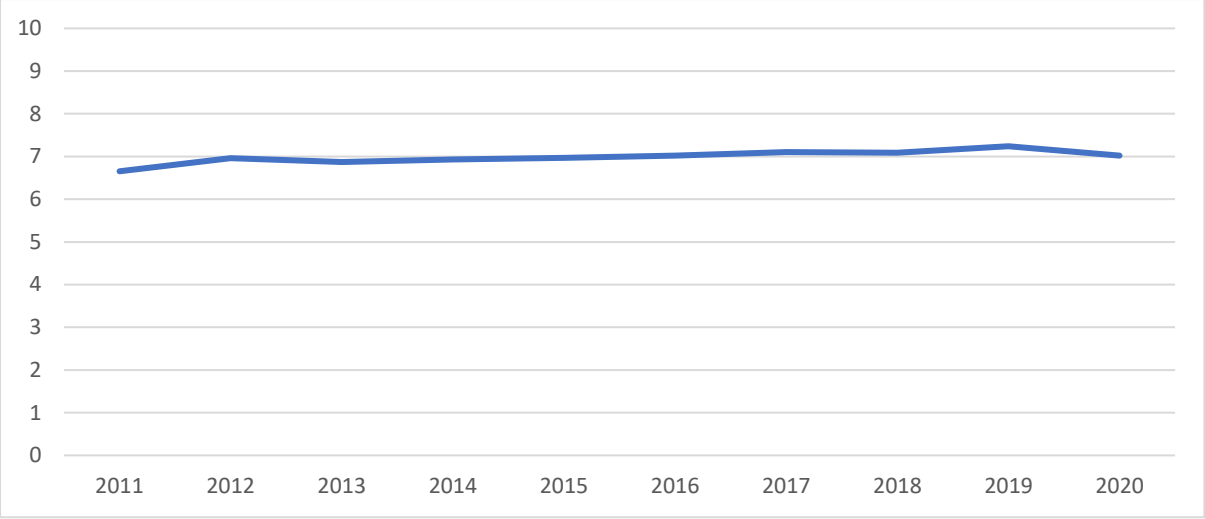


Figure 6-5: The average score for public service delivery in the PAPI index, 2011-20. *Source: The Viet Nam Provincial Governance and Public Administration Performance Index (PAPI) (CECODES, VUSTA, & UNDP, 2009-present)*.

On two other occasions, in 2014 and 2018, anti-China protests and riots with thousands of participants broke out in more than 10 different provinces across the country and took the authorities nearly a week to suppress (Benedict J. Kerkvliet, 2019, pp. 66-73; Parameswaran, 2018). Although the primary reason was external, there is evidence that some of the protests – particularly in poorer areas such as Binh Thuan and Ninh Thuan – were also ignited by popular dissatisfaction with their socio-economic conditions (BBC, 2018). While the regime was able to suppress such incidents without difficulty, threats from cross-provincial protests, with ever-better coordinated collective action, have become much more dangerous to its political stability than ever.

The failure to constantly improve governance and responsiveness to increasing popular demand puts pressure on control capacity. Accommodation is replaced with coercion. As argued in the previous chapter, high accountability has prevented a consolidation of repressive forces in Vietnam; they lack sufficient fiscal and human resources to deal with new challenges. Also, there is no unified control over the different branches of repressive power, notably the police and the army. In the National Assembly debate on the MPS proposed law on civil militia described earlier MPS Major General Nguyen Thi Xuan complained that the current allocation

of 3-7 policemen per commune[30] was "too small" to deal with security issues. But NA representative Nguyen Mai Bo –a Major General of the People's Army of Vietnam – responded that "there are not so many potential criminals among the citizenry that we need to assign yet more resources for security, while the country still needs money for investment, education, and social welfare" (Hoang Thuy, 2020).

It would be naïve to assume that Vietnam's pervasive security state is going to collapse soon. But nor is it going to become more powerful. The obvious challenge for the regime is to manage the increasingly insistent popular demand while able to draw on only a limited control capacity.

Such a constraint brings its own risks. Absent effective surveillance, repressive forces are usually deployed only when situations are out of control. Unfortunately, as noted by Greitens (2016, p. 54), a fragmented coercive apparatus with a lack of pre-emptive capability will then likely overreact with intense and indiscriminate violence. And lacking effective control over legitimation (such as social media platforms), the violence, in turn, will only sow more discontent, expressed either in more protests, or a "pressure cooker" build up. The sharp increase in the use of violent tactics from both the protesters and the security forces in recent incidents – such as Dong Tam village –should be of grave concern for Hanoi leaders.

The scenarios for institutional change in Vietnam and China

Naturally, the next question is how these aforementioned problems might affect regime development. Predicting institutional change is difficult and unrewarding, as scholars who have wrongly predicted the coming collapse of China will have discovered (Chang, 2010; Irvine, 2016). I have no desire to follow such a path. However, examining possible scenarios – given the current trajectories of political accountability and state capacity in the two countries – might allow us to identify the next "critical juncture" of political transition.

It is important to first explain what institutional change means in this context. As argued throughout the thesis, Vietnam and China are respectively low-accountability and high-accountability regimes. Consequently, institutional change would involve either shifting these

[30] Commune is the lowest administrative unit of Vietnam's governance system. One commune has at least around 5,000-8,000 people. Vietnam has around 11,000 communes nationwide.

equilibria (backsliding towards a low-accountability equilibrium for Vietnam and heading toward a high-accountability equilibrium for China) or creating a total "paradigm shift", i.e., regime change. This section will first examine theoretical scenarios of institutional change based on the nested game model in Chapter 1. After that, I will apply Gerschewski's four-dimensional framework to evaluate whether the conditions for these changes will occur.

Theoretical expectations

It is now useful to look back at the domestic game tree of internal and external accountability presented in Chapter 2 (Figure 6-6). There are eight possible scenarios, each of which with different payoff perceptions of the three main players (the ruler, the selectorate, and the population). There are two main games examined in this section: the internal game between the ruler and the selectorate, and the external game between the population and the regime (consisting of the ruler and the selectorate). The current position of the Vietnamese regime is analogous with (3), when the ruling coalition maintains high accountability under high levels of pressure from the population; while for China it is the (5) scenario, when the regime maintains low accountability under low levels of pressure from the population.

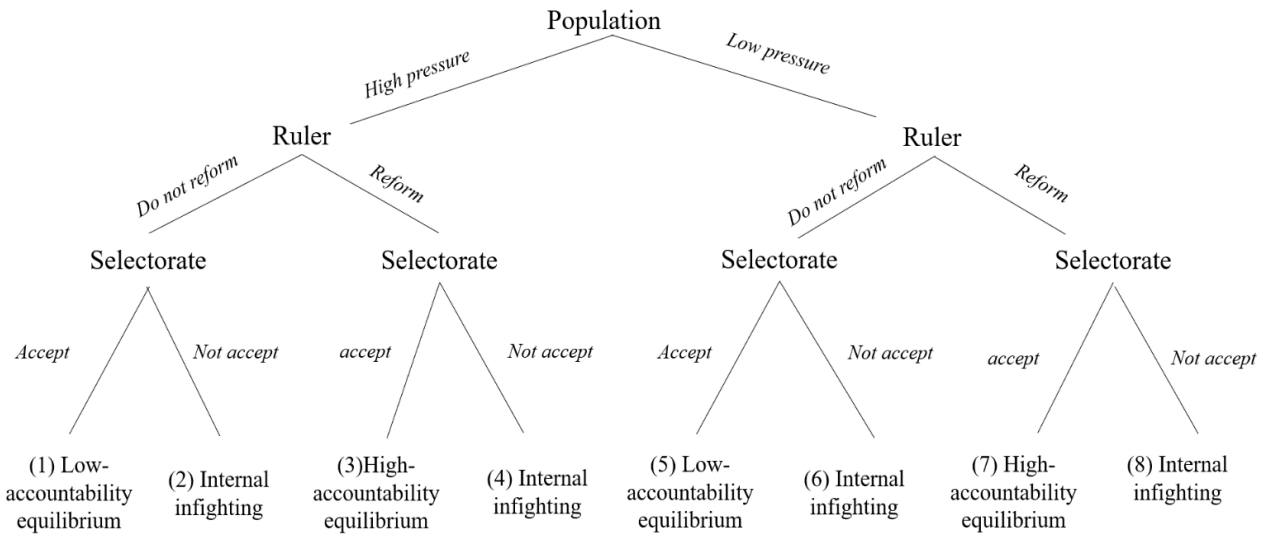


Figure 6-6*:* The extended domestic game tree of internal and external accountability. Note: To simplify, I only extend the two most possible scenarios of (2) and (6). The outcomes of scenarios (4) and (8) apply the same logic.

Hypothetically for Vietnam, a within-game change will be moving the equilibrium to scenario (1). This includes two consecutive steps. First, it would involve a change in the

internal game between the ruler and the selectorate so that the latter accepts the former's power consolidation instead of the current outcome (see Table 6-1). In other words, the ruler must win the internal infighting in scenario (2). Otherwise, the high-accountability equilibrium is maintained, as in the case of the failed consolidation of General Secretary Le Kha Phieu illustrated in the next section.

Vietnam		Selectorate	
		High pressure for accountability	Low pressure for accountability
Ruler	Allow high accountability	3;1	2;3
	Personalising power	4;2	1;4

Table 6-1: Current payoff perception in internal accountability game in reform Vietnam. Note: Priority order: 1>2>3>4. Outcome: (3;1). (Chapter 1).

In the real world, rulers can achieve this by either initiating purges against opposing selectorates (usually in the name of an anti-corruption campaign) or bolstering the rhetoric of the urgent need for "tough" leadership to deal with "internal" crises (Baranovitch, 2021). The rise of Nguyen Phu Trong in the last decade vividly illustrates this prospect (Tran Le Quynh, 2021). The potential outcome will be (3;2), where the ruler pushes for power consolidation despite the selectorate's objections (Table 6-2).

Vietnam		Selectorate	
		High pressure for accountability	Low pressure for accountability
Ruler	Allow high accountability	4;1	2;3
	Personalising power	3;2	1;4

Table 6-2: Potential outcome for scenario (2) in Vietnam if the ruler wins. Outcome (3;2).

Providing that the ruler succeeds, the next step will then involve a change in the external game where the regime must be able to change the population's preference to low accountability. The current outcome is (3,1), indicating that the ruler accepts high accountability under strong pressure from the population (Table 6-3).

Vietnam		Population	
		Strong pressure for Accountability	Low pressure for Accountability
Ruler	Reform	3;1	1;2
	Do not reform	4;3	2;4

Table 6-3: Current payoff perception in the external accountability game in reform Vietnam. Outcome: (3;1)

If the ruling coalition (the ruler and the now conformist selectorate) strictly prefers maintaining status quo, the outcome will be shifted to the bottom left of the matrix in Table 6-4 (3;3). This outcome is not sustainable because this is the second worse scenario for both the population and the regime. This might result in further elite-mass tensions. If the regime wins, the Vietnamese model will shift to low accountability equilibrium in scenario (1). If the population wins, this will be the "paradigm shift" scenario when the whole game must be rewritten. This might come either as an orderly de-autocratisation[31] or an absolute defeat of the ruling coalition [a successful "overthrow of power" as Philippe Schmitter puts it (O'Donnell et al., 1986, p. 11)].

Vietnam		Population	
		Strong pressure for Accountability	Low pressure for Accountability
Ruler	Reform	4;1	3;2
	Do not reform	3;3	2;4

Table 6-4: Potential outcome for the external accountability game in Vietnam in scenario (1). Outcome: (1;3)

Another possibility of a "paradigm shift" change in Vietnam is scenario (3). Then, the ruling coalition might voluntarily start the process that Riedl et al. (2020) dub as "authoritarian-led democratisation". The possibility of "paradigm shift" in scenario (4) follow the similar logic as explained in scenario (2).

For China, a within-game change indicates a shift from low-accountability to high-accountability equilibrium, or from scenario (5) to (7). Under the current low external accountability setting, the change is more likely to happen as a result of the change in the internal game. The existing outcome of the internal accountability game in China is (1;3) (Table 6-5), indicating the dominant strategy of the ruler is to personalise power while the selectorate strictly prefers low pressure.

China		Selectorate	
		High pressure for accountability	Low pressure for accountability
Ruler	Accept high accountability	4;2	3;1
	Personalising power	2;4	1;3

[31] The transformation from authoritarianism to a more democratic one does not necessarily involves power exit, as authoritarian incumbents remain hugely favourite to stay in power after the transition (Riedl, Slater, Wong, & Ziblatt, 2020, p. 182).

Table 6-5: Current payoff perception in the internal accountability game in reformed China. Outcome: (1;3)

The potential change involves scenario (6), when the selectorate does not accept the ruler's choice of low accountability and thus revolts. They must move because if they maintain the existing position (1;3), their outcome will be the least desired (1;4) in the new game (Table 6-6). This might happen when the selectorates believe if the ruler keeps personalising power, they will be the victims of the next purges. This outcome was observed in the case of the removal of the USSR leader Nikita Khrushchev in 1964, when the plotters believed they were going to be removed anyway if they did not challenge Khrushchev (Torigian, 2022, p. 83). If the selectorate succeeds, the equilibrium will move to (7). If the ruler wins, the status quo remains.

China		Selectorate	
		High pressure for accountability	Low pressure for accountability
Ruler	Accept high accountability	4;2	3;1
	Personalising power	2;3	1;4

Table 6-6: Potential outcome of the internal accountability game for scenario (6) in China if the selectorate wins. Outcome (2;3).

Another passage to scenario (7) is when the selectorate accepts the ruler's initiative of having a high accountability, which implies a voluntary power sharing effort from the ruler. This might sound counter-intuitive (who would really want to give up power?) but can happen if the ruler believes reforming is the only way to maintain regime resilience. The case of reformist general secretaries Hu Yaobang and Zhao Ziyang in the 1980s might fit this ruler's profile.

Similar to Vietnam, there are two scenarios for the "paradigm shift" change in China. First, the ruling coalition might voluntarily initiate the democratisation process in either scenario (5) or scenario (7).

China		Population	
		Strong pressure for Accountability	Low pressure for Accountability
Ruler	Reform	4;1	2;2
	Do not reform	3;4	1;3

Table 6-7: Current payoff perception in the external accountability game in reform China. Outcome: (1;3).

Second, the paradigm shift might involve a change in the external accountability game, when the population's preference shifts to strictly prefer a high accountability outcome (3;3) (from Table 6-7 to Table 6-8), leading to a conflict with the regime. Nevertheless, this is an unlikely scenario given the current accountability setting as rigorously examined in other studies [for example, see (Yongshun Cai, 2010; Goebel, 2019; Wedeman, 2019)].

China		Population	
		Strong pressure for Accountability	Low pressure for Accountability
Ruler	Reform	4;1	2;2
	Do not reform	3;3	1;4

Table 6-8: Potential outcome of the external accountability game in China in the "paradigm shift" scenario. Outcome (3;3).

To summarise, the most likely scenario for within-game change in Vietnam is scenario (1) – sliding back to a low-accountability equilibrium [as a result of the internal infighting in scenario (2)], while China is scenario (7) – moving towards a high-accountability equilibrium [as a result of the internal infighting in scenario (6)]. On a potential paradigm shift, authoritarian-led democratisation is more likely than mass uprisings in both. On this note, as analysed by O'Donnell et al. (1986, pp. 15-17), it is conditional that among the selectorates "soft-liners" must have the upper hand over "hard-liners" so that the ruling coalition is willing to democratise. Given the current external accountability settings, it can be expected that while China can start the process from a position of strength (under the low levels of pressure from the population), an elite-led regime change in Vietnam might start under the high levels of pressure from the population. In a way, the scenario of Chinese democratisation might resemble that of Taiwan in the late 1980s (Riedl et al., 2020, p. 1810), while the Vietnamese version might look like what happened in South Korea in 1987, which was a predominantly mass-driven process (Kim, 2000, pp. 4-5).

Conditions of change

The above sections examine theoretical scenarios of institutional change in Vietnam and China. The next question is under what conditions these can materialise. Gerschewski (2021, p. 222)'s four-dimensional framework is extremely useful for this purpose.

Gerschewski argues that there are four types of institutional change. First, changes can happen via an *exogenously driven rupture* (type I), when an unexpected event interrupts and

alters the existing rules of the game. It can be either a "railroad switch" (shocks that diverge paths) or a "punctuated" change (shocks that put institutions on a "new track"). Second, *exogenous gradual change* (type II) refers to the erosive impacts of external shocks on institutions. Third, *endogenous ruptures* (type III) refer to sudden internal shocks that can fundamentally change the institutional arrangements (such as military coups). Finally, *endogenous gradual change* (type IV) refers to the "radioactive decay" of institutions from within (such as the dissolution of the Soviet Union). Table 6-9 sketches out several potential sources of institutional change in Vietnam and China.

Potential sources of change	**Vietnam**	**China**
Type I (exogenous ruptures/external shocks)	External conflicts, natural catastrophes, pandemic, (external) economic crises	
Type II (exogenous gradual change)	Exposure to the West (Western linkage & leverage), demographic pressure, economic stagnation.	Demographic pressure, economic stagnation.
Type III (endogenous ruptures)	Individual leadership, succession crisis, factional infighting	
Type IV (endogenous gradual change)	Decay of the collective leadership	Decay of the personalised leadership

Table 6-9: Potential sources of institutional change in Vietnam and China. Note: the list is illustrative rather than exhaustive.

Type I change is a major threat for authoritarian stability, particularly with regards to external economic shocks (Shih, 2020). In Chapter 1, I briefly discussed the role of external pressure in the regimes' payoff calculation, which argues that the Vietnamese regime is more vulnerable to external pressure than China. In terms of economics and trade, the country is highly dependent on the global market, while its insufficient governance capacity makes Hanoi ill-prepared for unexpected events. The opposite fortunes of two countries after the 2008 global financial crisis vividly illustrate this point: while China successfully weathered the impacts through an enormous stimulus package (Wong, 2011), Vietnam was badly hit and took several years to recover (Van, 2017). It is telling that Vietnam was not too negatively impacted from the Asian financial crisis that happened 10 years earlier, arguably because its economy had not yet been deeply integrated into the regional and global economy (Masina, 2002).

Another recent example is the way the two regimes deal with the COVID-19 pandemic. Both pursued "zero-COVID" early into the pandemic; however, Vietnam had to abandon the strategy as it was unable to cope with the Delta outbreak in mid-2021 as well as to sustain the

severe economic consequences of preventative measures (Reed & Chung, 2021) (Figure 6-7). By the mid-2022, China is the only large country in the world that aggressively pursue zero-COVID despite insurmountable costs (Financial Times, 2022).

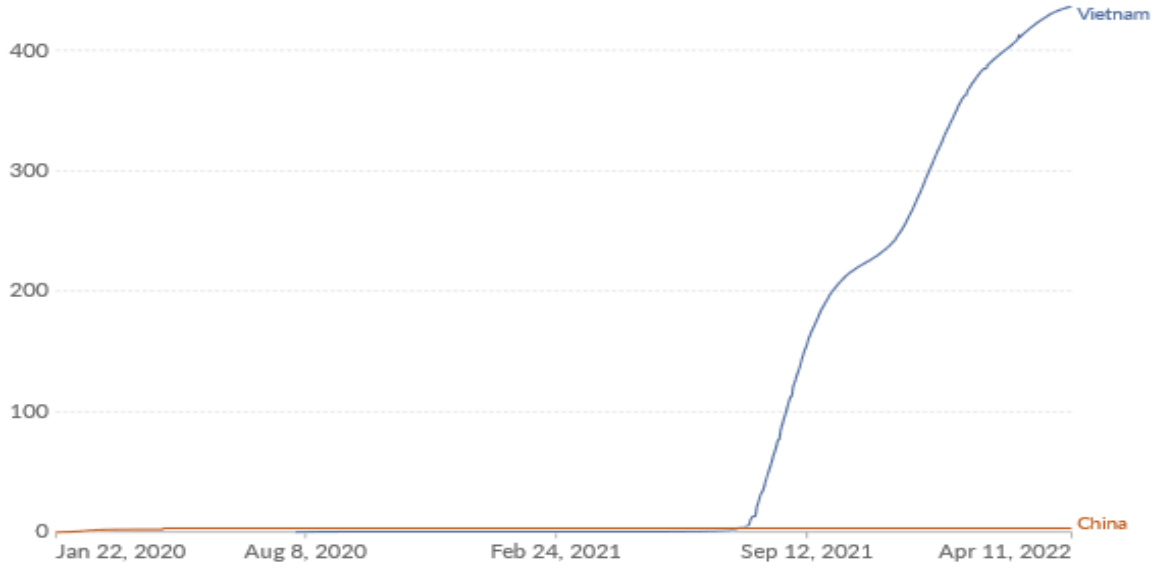


Figure 6-7: Cumulative confirmed COVID-19 deaths. Note: per million people. *Source (Johns Hopkins University, 2022).*

Although the impacts of exogenous ruptures are impossible to be evaluated *ex ante*, the Vietnamese regime seems more vulnerable to the "paradigm shift" laid out in scenario (1) (when the regime prefers maintaining order in time of crisis, precipitating elite-mass tensions) and scenario (3) (when the regime backs down under the popular pressure and voluntarily kicks off the democratisation process). China's massive domestic economy is better insulated from external shocks.

Type II change includes external and internal exogenous impacts that affect the nature of external accountability in the long run. Although both regimes are concerned with the threat of "colour revolutions" and "peaceful evolutions" inspired by the West, Vietnam is more susceptible given the country's wider exposure to the Western linkage and leverage (Chapter 2). When negotiating with the European Union (EU) on a free-trade agreement, for example, Hanoi accepted the EU's requests to sign two ILO conventions that would allow for independent workers' organisations and abolish forced labour (European Union, 2018). China, contrarily, refused to commit to both when negotiation with the EU, promising only to "make

continued and sustained efforts" to ratify the conventions in the future (Cotula, 2021, p. 364). This difference arguably comes from their diverging state capacity. China's strong governance capacity and tight state control over the economy (as a result of its "domain" extraction model) give the regime a strong negotiating position with the West while insulating it from potential negative impacts, in addition to the importance of Chinese market to Western commerce. Its formidable control capacity, such as the "Great Firewall" that sequesters Chinese cybersphere, prevents any dangers arising from potential "Western" influence as seen in Vietnam. Whilst in addition to its weaker control capacity, Vietnam's increasing dependence on the non-state sector for fiscal resources restricts its policy options in dealing with the West.

Gradual exogenous change can also happen inside the regimes such as demographic decline and economic stagnation. The vulnerability of each regime to this type is conditional on the nature of the change and the specific configuration of state capacity. For example, although both countries are on the downside of the demographic dividend, China's efficiency-first governance model – which exacerbates the country's inequality and welfare problems – will make it more challenging to deal with population ageing (Yong Cai, Feng, & Shen, 2018). To some extent, this problem is less preeminent in Vietnam.

In contrast, while Vietnam struggles with climate change adaptation policy due to its lack of efficient governance capacity (L. T. H. Phuong, Biesbroek, & Wals, 2018), China is able to invest substantially in renewable energy to mitigate climate change impacts (Engels, 2018).

Type III, endogenous rupture, is often left off the research agenda but can offer interesting insights into institutional change. The first obvious source of endogenous ruptures comes from powerful change agents that can punctuate institutional inertia (Gerschewski, 2021, p. 230). In the case of Vietnam, the rise of Nguyen Phu Trong from an obscure Marxist theoretician to the country's most powerful leader has seriously challenged the VCP's well-established collective leadership system (K. G. Nguyen & Nguyen, 2022), which redirects the regime towards scenario (1). In contrast, it is very unlikely that Xi Jinping would suddenly have a change of heart and willingly cede power to the selectorate to form a high-accountability regime in China. However, scenario (7) might take place in the wake of a post-Xi succession crisis. The power vacuum, factional infighting, and subsequent re-establishment of the

collective leadership principle in China after Mao Zedong's death in 1976 can be seen as a historical precedent.

The second obvious source of endogenous rupture is the changing dynamics of power among different factional groups within the ruling coalition. For example, the shifting power balance that favoured the reformists after the 6th VCP Congress in 1986 set the foundation for *Đổi mới*, while changes in the 12th Congress in 2016 might have helped Nguyen Phu Trong win against the then PM Nguyen Tan Dung. In this aspect, it seems China is more susceptible to type III change than Vietnam, as the level of political uncertainty under a personalised regime – particularly during a succession period – is higher.

Type IV, endogenous gradual change, is more difficult to observe and disentangle from other causes. Gerschewski (2021, pp. 224-225) considers the seed of incremental decay is implanted in the "inner architecture" of institutions. This view is similar to Mahoney and Thelen (2009, p. 9), who argue change can happen if "the over-time distributional effects of institutions trigger divisions among institutional power holders". A notable example for type IV change in Vietnam is the decay of the democratic centralism principle. As one of the pillars for Vietnam's collective leadership since *Đổi mới*, this principle prevented ambitious leaders from accumulating too much arbitrary power, by requiring voting majority in making key decisions. However, the incumbent Nguyen Phu Trong – through his genius for political manoeuvring – has since 2014 incrementally changed the rules of the game to favour the top leadership instead of the more inclusive Central Committee (Vuving, 2017, pp. 425-426). By 2021, he had been able to consolidate unprecedented power and make bold decisions – such as keeping his general secretary post for the third term, a clear violation of the Party's Constitution – which could never have been possible when he was first elected in 2011 (K. G. Nguyen & Nguyen, 2022). In both countries, endogenous gradual change can also emerge from the economic realm as previously analysed, as their economic structure – by design – is bound to create enormous fiscal problems in the future. Even if the bubble never pops (Orlik, 2020), economic stagnation – similar to the Soviet Union in its last years – might result in drastic political and social changes.

In reality, as noted by Gerschewski (2021, pp. 227-229)'s re-examination of Barrington Moore's argument on the collapse of China's imperial rule, institutional change usually results from a combination of all four types. For example, there were several occasions during *Đổi*

mới when strong leaders wanted to consolidate power and thus planted the seed for Type III change in Vietnam. General secretary Le Kha Phieu of the 8th VCP Congress tried to overrule the Central Committee by establishing the Politburo Standing Committee (PSC) and consolidated power in the runup to the 9th Congress (Abuza, 2002). However, his effort failed badly, as the PSC was abandoned after just a term and the CC forced him to retire on the grounds of old age (he was 70 then, while Nguyen Phu Trong was re-elected for a third term when he was 77). Arguably, Phieu's failure was due to the fact that the timing was not ideal: there was no apparent exogenous shock at the time (which might have created a rally round the leader effect), Western linkages and leverage were nascent and largely unimportant to domestic politics (Type II), while the collective leadership had been reinforced after the 8th Congress when the remaining first-generation revolutionary leaders (General secretary Do Muoi, PM Vo Van Kiet, and President Le Duc Anh) stepped down. Conversely, the "lost decade" of the Hu-Wen administration could not transform China's regime into a more collective leadership. The inertia of Hu-Wen leadership was not particularly strong, while both internal and external environmental factors remained favourable for a low-accountability equilibrium (Baranovitch, 2021).

Certainly, examining the nature of political accountability and state capacity alone cannot predict if and when a regime will collapse. However, understanding their symbiotic relationship will help us anatomise the complex challenges that each regime faces as well as the level of threat to regime resilience in different scenarios of change laid out in Gerschewski's framework. No regimes are immune from any of the four types of change, yet the level of vulnerability to those threats is different. From the above analysis, it can be seen that Vietnam's high-accountability model is more susceptible to exogenous (both gradual and sudden) changes, while China's low-accountability model is more vulnerable to endogenous ruptures and decay. These explain why the two regimes have different scenarios of change laid out in the previous section.

Conclusion

This chapter departs from the capacity-based approach in the previous chapters to instead focus on the major problems of Vietnam's and China's respective models of authoritarian resilience. I conclude that both regimes face a long-term risk of securing

sustainable fiscal sources, although the problem is more imminent and serious in Vietnam than in China.

China's efficiency-first governance capacity widens inequality and underfunds its welfare programs, which compels the regime to strengthen control capacity to maintain *weiwen*. This, in turn, increases the risk of power consolidation – amplifying the problems of "bad emperor" and succession crisis.

On the contrary, Vietnam's inefficient governance capacity has failed to meet rising popular demand for better redistributive policies. The regime risks popular dissatisfactions, and in some cases mass unrest. When concession is not an option, Hanoi has to depend more on control capacity to maintain order. However, its control capacity is ill-equipped to deal with a contentious public, creating further risks of instability.

These inherent problems set the necessary conditions for institutional change in the two countries. To identify the sufficient conditions for change, I extended the analysis of the domestic game tree from Chapter 2 to postulate possible scenarios for both within-game changes (to low-accountability equilibrium in Vietnam and high-accountability equilibrium in China) and "paradigm shift" changes (i.e., regime change).

I then applied Gerschewski's four-dimensional framework to evaluate how changes might happen. I concluded that Vietnam is more susceptible to exogenous (both gradual and sudden) changes, while China is more vulnerable to endogenous ruptures and decay.

In the extreme scenario of regime (paradigm) change, I argued that although authoritarian-led democratisation would be most likely the default mode, China would likely start the process from a position of strength (the Taiwan model), while a Vietnamese democratisation might be triggered under the high levels of pressure from the population (the South Korea model).

This chapter – given its predictive nature – is more conjectural than empirical. Nonetheless, I did not try to predict when the next "critical juncture" will happen. As examples from the collapse of the Berlin Wall, "the end of history", or the coming collapse of China have demonstrated, predictions in political science are risky businesses. However, by crisscrossing the relationship between political accountability and state capacity with different theoretical scenarios, I have aimed to identify several "fault lines" where neither regime might be able to

carry out “continuous adaptive change” (Dimitrov, 2013, p. 37) thereby triggering political transition. Once more appropriate data is available, research can unearth the mechanisms for each possibility and empirically test the correlation between different state capacity configurations and institutional change.

Conclusion

This thesis explains why different autocracies have different configurations of state capacity and whether this might have any implications for their prospect of resilience and political change by focusing on a carefully paired comparison of Vietnam and China during the reform era (roughly, since the early 1980s).

I argue that the configuration of state capacity – consisting of extractive, governance, and control capacity – is affected by political accountability, understood as the way ruling elites balance power among themselves (internal accountability) and manage their relationship with the population (external accountability).

I have adopted a mixed methodology which combines the macro-foundational framework of historical institutionalism in examining large processes of macro-level variables and the rational-choice approach in studying the immediate-strategic context with key actors' interaction, choices, and payoff perception.

Chapter 1 lays out the approach in detail.

In **Chapter 2** a nested game approach is used to explain how accountability has developed and diverged in the two countries during the reform era. I argued for different outcomes in the three games played in the two countries through the reform era [(1) the external accountability game, (2) the internal accountability game, and (3) the foreign pressure game], define the characteristics of accountability. Each game provides different expected payoffs, while rulers have differentiated priorities for the games' outcomes. In game (1), Vietnam tends to be more accommodating to the popular demand (having higher external accountability) while China appears to be insistent in keeping low external accountability. The choice seems to be sub-optimal for the Vietnamese regime; however, once games (2) and (3) are considered, it can be justified given Hanoi's collective leadership system as well as its dependence on the relations with the West. Contrarily, as a global power, Beijing is much less affected by foreign pressure. Meanwhile, the Tiananmen Incident dramatically hardened the Beijing leadership's emphasis on "stability maintenance" to keep the society in order. The chapter provides a background for understanding the logic behind the configuration of state capacity in the two regimes in the reform era.

Chapters 3, 4, and 5 respectively compare extractive, governance, and control capacities in Vietnam and China after the critical juncture of the late 1980s and explain how differences in political accountability can explain divergence.

Chapter 3 focuses on extractive capacity. It shows that while Vietnam has been moving towards a tax state model with increasing dependence on taxation from the non-state sector and direct taxation, China remains a unique model of a quasi-tax, quasi-rent, and quasi-domain state. The characteristic of political accountability is the main explanatory factor. Vietnam's collective political leadership with more diverse elite interests makes it impossible to build a consistent SOE development strategy, whilst China's centralised rule has helped cement the monopolistic power of Chinese SOEs despite various concerns over corruption and inefficiency. Besides, the genuine public attention and interest on SOEs as well as foreign pressure also serve as an unofficial accountability mechanism in Vietnam, whilst similar channels do not work as effectively in a much more self-assured, centralised China.

Chapter 4 turns to redistribution to see how the rulers in Hanoi and Beijing have built governance capacity in the reform era. Avoiding the debates on the definition and measurement of the "governance" concept, I examine the structure and patterns of governance capacity by focusing on how the state has invested into its governing practice to learn about their policy preferences. The chapter concludes that while the Vietnamese state has an *expansive* governance capacity, which emphasises universally redistributive social policies such as education and healthcare, the Chinese state possesses a *cohesive* governance capacity that prioritises empowering the state power, reflected by the fiscal spending on science and technology and infrastructure. In the fiscal perspective, Hanoi prioritises human capital spending, while Beijing considers "efficiency as priority and equity as supplement" (X. Wu, 2009, p. 1038). The contrasting cases of Ho Chi Minh City and Shanghai are used to illustrate this argument. The political impact on this divergence of governance capacity is consequential: a collective authoritarian regime as Vietnam redistributes more because of the constraints from both internal and external accountability. The ruler in a personalised regime like China, on the other hand, has more discretion in dictating the rule of the game.

Chapter 5 concerns control capacity, the most characteristic aspect of authoritarianism. My main argument is that after the critical juncture, control capacity in Vietnam and China have diverged. Vietnam developed a *low-intensity* control capacity, with a

more pluralistic ideological environment and a fragmented repressive capacity. By contrast, because of the Tiananmen Incident, China tightened the ideological sphere and substantially increased coercive power, thus building a *high-intensity* control capacity. I argue that changes in political accountability – both internal and external – can explain the divergence. A more personalised regime in China requires a higher level of legitimation and repression, while the collective leadership in Vietnam creates a fragmented control apparatus where no single leader can impose their authority over the system. External accountability from the population, in a way, plays a "safety valve" role in Vietnam to reduce the need for control, while having a "pressure cooker" role to enhance the need for control in China. Empirical evidence in the case of Vietnam confirms this hypothetical observation.

Drawing from the empirical evidence presented in the previous chapters, **Chapter 6** investigates whether these variations in state capacity affect the resilience of the two states and the prospects for political change in them. It answers the question by examining how the Vietnamese and Chinese regimes preserve their resilience in the face of the "twin problems" of power sharing and power control. I extend the analysis of the domestic game tree from Chapter 2 to postulate possible scenarios for both within-game changes (to low-accountability equilibrium in Vietnam and high-accountability equilibrium in China) and "paradigm shift" changes (i.e., regime change). I then apply Gerschewski's four-dimensional framework to evaluate how changes might happen. I contend that Vietnam is more susceptible to exogenous (both gradual and sudden) changes, while China is more vulnerable to endogenous ruptures and decay. In the extreme scenario of regime change, I argue that although authoritarian-led democratisation would most likely be the default mode, China could start the process from a position of strength (paralleling Taiwan model), while a Vietnamese democratisation might be triggered under the high levels of pressure from the population (the South Korea parallel).

This thesis contributes to the scholarly literature in several ways. First, by applying a more inclusive concepts of state capacity and political accountability in authoritarian regimes, it brings new insight into the inner working of autocracies as well as on how they maintain resilience. Previous research has mostly focused on selective dimensions of state capacity which are either more readily accessible (for example, taxation proxied for extractive capacity) or easier to measure (such as popular perception proxied for governance capacity). Although this approach has been extremely useful in understanding these selected dimensions, it is

impossible to construct a comprehensive picture of how an authoritarian regime works. That is similar to the problem of the blind men and the elephant: the resilience of an autocracy is an expansive phenomenon which cannot be attributed to only one dimension of state capacity. The functional approach to state capacity has been widely discussed in the literature (Jonathan K Hanson, 2018; Jonathan K. Hanson & Sigman, 2021; Skocpol, 1985). However, there have not been many studies, like this thesis, which employ this approach for empirical analysis. Similarly, the concept of political accountability, especially if dividing into internal and external dimensions, is useful for unearthing the political dynamics of authoritarian rule.

Second, by focusing on the two "within-typology" cases, the thesis has demonstrated the usefulness of a "small-N" design in studying the politics of authoritarian regimes in addition to the more conventional "large-N" approach and single case study which have been more dominant in the past decades. This thesis has shown how two regimes with many similarities have vast differences in their politics and state capacity, which would have been much more difficult to identify if one only depended on "readily observable institutional structures" (Pepinsky, 2014, p. 650). These analyses of the differences will be, I hope, a modest contribution to the growing literature on Vietnam-China comparison.

Third, the thesis has made limited contributions to the scholarship on authoritarian resilience. By a flexible application of historical institutionalism and the use of rational choice analysis, the thesis has helped enrich the tradition of "analytic narratives" which was introduced in the late 1990s (Robert H Bates, Greif, Levi, Rosenthal, & Weingast, 2020). The capacity-based approach should complement Svolik (2012)'s problem-based approach to analyse authoritarian resilience, while Chapter 6 can be seen as a useful empirical application of Gerschewski (2021)'s four-dimensional framework of institutional change.

The thesis has limitations. First, using a comparative case study of two "successful" autocracies, the study suffers from the inherent limitations of the case study approach (Gerring, 2007, p. 244). These include its lack of generalisability as well as the ability to quantify the causal effects of political accountability on state capacity.

Second, there are alternative theories to my theory, such as historical path dependence of governance models, geographical and demographic characteristics, and external influence. Although these explanations have been separately canvassed in the empirical chapters, they

have not been subject to rigorous testing. For example, one theory suggests that there is a "time lag" element at work: Vietnam and China in fact have different development timelines; as such, when Vietnam reaches the level of China's development, it might have the same configuration of state capacity as China does. This argument would contend that the two regimes do not share the identical three stages of authoritarian development since the 1980s and thus the divergence of political accountability during and after the critical juncture in the late 1980s would have played no role in shaping the configuration of state capacity. My analysis in Chapter 2 would argue otherwise, but stronger evidence is needed to make it more convincing.

Political dynamics in authoritarian regimes can change quickly, whilst state capacity is rigid and takes a longer time to adjust. The disparity between politics and state capacity often unveils the limitations of existing models. Although it does not necessarily signal regime breakdown, understanding this relationship is crucial in speculating what might come next. As this research is hoped to reveal, taking a structural and comparative approach will be useful in this aspect: to understand why a regime takes up a specific trajectory or configuration, it is essential to explore what other alternatives might have been. Vietnam and China are the perfect case studies for that purpose, but future research could also explore the link between political accountability and state capacity in other non-democratic states like Russia [such as the work of (Easter, 2008) that compares post-communist statebuilding in Russia and Poland], Laos, and North Korea. The focus of this thesis is on one-party regimes, but researchers can also extend the framework of analysis to other forms of autocracy.

Given the perpetual problem of data reliability and availability in authoritarian regimes, however, researchers need to find creative methods in conceptualising and measuring political accountability and state capacity. On that note, future comparative research on Vietnam and China can also benefit from more quantitative tests when appropriate data is available. For example, better data on Vietnamese political elites, which might include variables such as overlapping work experiences, could help support a micro-level comparison of Vietnamese and Chinese elite politics. For that purpose, I will continue updating and improving the VCP Central Committee dataset to make it more comparable with existing CCP Central Committee datasets.

This thesis focuses on comparing Vietnam and China as separate entities. Nevertheless, future research can also look at the way the two regimes interact with each other in the process

of authoritarian diffusion. The close ideological alignment has allowed such cooperation despite tensions over maritime disputes and historical animosity. Vietnam is widely considered a follower of the "China model" and has imitated a number of key policy choices from Beijing, including the strengthening of the state sector, the repression of civil society, and the tightening of internet control. For its part, Beijing has provided Hanoi with capacity-building courses for Vietnamese senior civil servants and party officials as well as members of the armed forces. What do Beijing and Hanoi want to achieve in such cooperation? How will the process affect the resilience strategies in Vietnam? Can such cooperation help "make the world safe for autocracy"? These are several interesting questions that can be explored on that front.

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