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“China’s Economic and Political Rise:

Implications for Vietnam”

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Abstract English. China has been strategically developing its political and economic capabilities for decades, and this paper seeks to find out what this means for Vietnam. While the focus is on the bilateral Sino-Vietnamese relationship, global contexts are an essential part of the analysis and theoretical pluralism allows contextualizing complex and shifting relationships. Dependency theory creates a focus, but asymmetry theory, world-system analysis, neo-Gramscianism and open trade theory serve to connect missing links. China's hybrid form of authoritarian capitalism challenges the dominant world order with promises of mutual economic benefit but also via military posturing. Many Vietnamese are wary of China's actions, because a defensive national identity developed as a consequence of asymmetric historical relations. Anti-Chinese sentiment then sometimes manifest in the form of violent protests, for example against Chinese hydropower FDI (2013), during the oil-rig crisis (2014), or against the planned Special Economic Zones (2018). An emerging multipolar world order offers Vietnam opportunity to maneuver, carefully balancing its relationship with the dominant and emerging centers via a strategy of state-controlled open trade policy. The Vietnamese government finds itself in a difficult position, where economic interests, such as Chinese FDI, collide with popular interests and environmental concerns.

Abstract Deutsch. China tritt seit Jahrzehnten zunehmend bestimmt auf wirtschaftspolitischer Ebene auf und diese Arbeit versucht herauszufinden, was dies für Vietnam bedeutet. Während der Schwerpunkt auf den bilateralen chinesisch-vietnamesischen Beziehungen liegt, sind globale Kontexte ein wesentlicher Bestandteil der Analyse, und ein theoretischer Pluralismus ermöglicht die Kontextualisierung komplexer und sich wandelnder Beziehungen. Die Dependenztheorie schafft einen Fokus und Anlaufpunkt, welcher durch Asymmetrietheorie, Weltsystemanalyse, Neo-Gramscianismus und Open-Trade-Perspektiven ergänzt wird. Chinas hybride Form des autoritären Kapitalismus fordert die derzeitige Weltordnung durch wirtschaftliche Versprechungen aber auch durch militärische Drohgebärden heraus. Viele Vietnamesen sind misstrauisch gegenüber Chinas Auftreten, weil sich aufgrund asymmetrischer historischer Beziehungen eine defensive nationale Identität entwickelt hat. Die antichinesische Stimmung äußert sich dann manchmal in Form von gewaltsamen Protesten, zum Beispiel gegen chinesische Direktinvestitionen in Wasserkraft (2013), während der Bohrinselfkrise (2014) oder gegen die

geplanten Sonderwirtschaftszonen (2018). Eine sich abzeichnende multipolare Weltordnung bietet Vietnam dabei die Gelegenheit zu Manövrieren, wobei das Verhältnis zu den dominierenden und aufstrebenden Zentren über eine Strategie staatlich-kontrollierter offener Handelspolitik sorgfältig abgewogen werden muss. Die vietnamesische Regierung befindet sich daher in einer schwierigen Lage, in der wirtschaftliche Interessen, wie chinesische Direktinvestitionen, mit öffentlichen Interessen und Umweltbelangen kollidieren.

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Fig. 1 South-East Asia Political Map (cf. U.S. Central Intelligence Agency 2014).

1. Identification of the Problem

About four decades after having opened up the country to foreign investment, China has been progressively making gains in terms of economic growth, military strength as well as political influence. Even though China's economic growth in GDP has been slowing down in the past few years, it has become the second largest economy by nominal GDP, only second to the USA. China's impressive economic growth translates not only to massive inward and outward investment, but also to a sharp increase in military capacity. According to a budget report issued in March 2019, defense spending will rise by 7.5 % from 2018 (cf. Martina and Blanchard), and China's overall military spending is, again, second only to the USA. Though the actual amount of China's military spending is up for debate, the country is acting increasingly assertive when it comes to the show of military force, as can be seen in the unresolved conflicts over disputed islands or the construction of military facilities in the South China Sea. On the other hand, China is intent to increase its political influence worldwide via soft power means, for example by setting up hundreds of Confucius Institutes all around the globe or by advertising for Xi Jinping's showcase project of international cooperation, the One Belt One Road Initiative.¹

Napoleon Bonaparte allegedly said: "China is a sleeping lion. Let her sleep, for when she wakes, she will shake the world". What this paper seeks to find out, is, what this metaphorical "waking up" means for China's southern neighbor Vietnam. Instead of looking at the entire world as the

¹ At the same time we should not forget that, even though China exhibits impressive economic growth rates, and China's military is now second only to the USA, China is still a developing country. This is because: (1) Particularly in rural areas poverty and a lack of infrastructure is still widespread, (2) while the national GDP is the second largest in the world, GDP per capita is still below \$9.000/year, and (3) pollution is a huge problem.

China's military and political influence needs also to be relativized: Even though China spends more on military than Russia and Saudi Arabia combined (who rank 3rd and 4th), it lags far behind the US, whose military budget is still four times higher. In addition, the dominant center countries established an immense network of allied nations, something that China is working on, for example via the One Belt One Road Initiative, but is still far behind.

unit of analysis, I will focus on the Sino-Vietnamese relationship, yet the context is global and will also be discussed.

In October 2018 the Vietnamese National Assembly discussed the Special Economic Zone (SEZ) project, a “grand policy” drafted by the Politburo, the highest political body of the Communist Party of Vietnam to establish three special economic zones. The project is put forward to boost regional economy and allow for easier foreign investment. But it is met with heavy resistance, as demonstrations break out all over the country. The controversial bill would allow foreign investors to lease land for up to 99 years and the fear of losing their country to Chinese investors is at the heart of the Vietnamese protests (Trang 2018). These demonstrations seem emblematic, because they neatly line up with past anti-Chinese protests, such as the protests against a Chinese oil-drilling platform in a disputed area of the South Chinese Sea in 2014 (Bui 2017), but they also reflect a widespread antipathy towards China, with Vietnamese approval ratings of the northern neighbor as low as 19% (Pew Research Center 2015).

It may hardly be possible to measure and translate the Vietnamese protests into the language of political economy. But as I have indicated, aspects of something like a “felt” oppression; a felt sense of slowly drifting into a seemingly disadvantageous relationship with the giant neighbor seem to persist. This observation may prove to be valuable, as it attempts to root this study in the social reality of the phenomenon at study. Valuable not because claims made by the protesters and the news about it are undoubtedly true, but because it is helpful to keep in mind, that talking about a social phenomenon, such as socio-economic dependency, also means to talk about people impacted by that phenomenon. The Vietnamese people fear dependency from China and it is worth to discover to what extent these fears may be reasonable and justified.

From the regency of Deng Xiaoping in the late 1970s and 1980s to the era of Xi Jinping nowadays, China’s foreign policy has changed drastically. Xiaoping’s famous phrase to “bide our time, keep a low profile, never take the lead and make a contribution” (Ferdinand 2016), has not much in common with Xi Jinping’s “Asian Dream” to establish China as a “proactive” political and economic world power (Miller 2017). Expressing an official reaction from Vietnam to China’s

seemingly benevolent expansionist plans, Vietnam's former prime minister Nguyen Tan Dung argues: "We can not afford to trade peace and friendship with China, but we can not trade any kind of dependence" (Abuza 2014). It is by no means obvious, whether China really upholds its promise of a "win-win" situation, that Chinese officials advertise for whenever possible, or whether Vietnam might actually turn "into a vassal state" (Miller 2017: 225). The following remark made by China's former foreign minister Yang Jiechi, however, did more to alarm than console neighboring state actors: "China is a big country and other countries are small countries, and that's just a fact" (Boon and Ardy 2017). It barely needs mentioning that these statements are highly politicized and, when confronted with each other, often mutually exclusive.

Several opinions from the scientific community have been voiced to make sense of Asia's and particularly China's (re-)gaining (cf. Frank 1998) of political and economic power, and the consequences for international relations. Realists, or thinkers who emphasize the role of the military and national interest within international relations theory often, rather pessimistically, highlight China's benefits in pursuing an aggressive foreign policy (cf. Hurst 2017). For example, these thinkers may point towards China's double-digit defense budget growth almost every year for the last two decades, which some then contextualize by comparing the power positions of China and the United States (cf. Bitzinger 2015). There may be some truth to that, as some argue; China perceives itself on the defensive, surrounded by US-allies, or as the former Chinese president Hu Jintao put it: "They [the U.S.A.] have extended outposts and placed pressure points on us from the east, south and west. This makes a great change in our geopolitical environment" (Till 2017: 22). The militarization of the Spratly Islands and the China-Vietnam military quarrel over the oil drilling platform Hai Yang Shi You 981 in 2014 seem to indicate some validity to these realist positions (cf. Kurlantzick 2015; Watkins 2015). The competition for limited resources heightens the tensions even further (cf. Till 2017).

In contrast to the realist assertions however, some argue that the situation of an increasingly aggressive and expansionist Chinese foreign policy does not show the entire picture. These thinkers emphasize effects of economic interdependence and shared cultural identity, stating that the high costs of an overly aggressive foreign policy may ultimately do more harm than good to China's position in relation to its neighboring countries and the rest of the world (cf. Huang

and Chu 2015; Swaine et. al. 2015). However, also in response to this position, some give priority to negative consequences of economic interdependency, especially with respect to the increasing amounts of debt some countries like Sri Lanka or Cambodia owe to China (cf. Hurley and Portelance 2018). But to complicate things even further, others again stress the importance to assess each Chinese foreign investment on its economic benefits, arguing that “these infrastructure networks can serve as a catalyst to promote industrialization and urbanization in the host country” (Daojiong 2018). The only thing that becomes clear from this, is that it is by no means obvious, whether China’s economic investments are really mutually beneficial or not.

Here Boon and Ardy (2017) already studied China’s influence on small states (as defined by the World Bank) to measure “a barometer of Chinese restraint and exercise of its power in a situation of clear superiority”. They find that China’s engagement has “generally been welcomed by small states” (129). They also highlight how these small states increasingly become entangled by China’s economic grip, while the researchers attest “peaceful” intentions to China’s activity (cf. 121f., 129). This conclusion needs to be doubted, at least, when considering realist perspectives from international relations theory. However, what their paper also indicates, is, that it is far from clear whether China really follows a win-win-strategy, or whether China’s development is ultimately leading to disadvantage for the respective economic partner. This makes it all the more important to analyze the bilateral Sino-Vietnamese relationship from different viewpoints, because this multi-perspectivity could turn out to be a helpful puzzle piece of international relations and development studies on several levels of abstraction.

Nonetheless, some of the aforementioned fears in Vietnam seem to, at least partially, reflect in the literature. However, what appears to be missing, is a perspective on the distinct bilateral Sino-Vietnamese relationship from a broader economic and political vantage point, and with a particular focus on a possibly disadvantageous dependence of Vietnam to China. That is why, in order to close this gap with scientific adequacy, a solid yet flexible theoretical foundation is crucial. In order to adapt the theoretical basis to this Asian context with an open mind. I will build upon dependency theory, but both combine and augment it with the mindset of a critical realist meta-theory.

Critical realists argue, there is no such thing like an impartial objective scientist. The scientist and the object of investigation engage in a “subject – subject” relationship, which makes it necessary to explain how a certain research object came into focus (Sayer 2002). I am an outsider to the region, yet in an interconnected world, it is difficult to eliminate bias. I have been reading about China’s development for years, but the Sino-Vietnamese relation came into my focus via media coverage about the Special Economic Zones and the corresponding anti-Chinese protests in Vietnam in 2018.

Main research questions:

1. What does China’s political and economic rise mean for Vietnam?

Subordinate research questions:

2. What can the history between China and Vietnam tell us about the present relationship with respect to dependency?
3. How can we define “Chinese Capitalism”?
 - 3.1. Is China constructing a Sino-Centric Asian Financial System?
4. In how far does Vietnam link and delink to China and to global trade respectively, and what role does the regional and global economic system play in mediating or influencing the politico-economic relationship between both countries?
 - 4.2. How could the capitalist debt crisis influence Sino-Vietnamese dependency?
 - 4.3. How does Confucianism influence the politico-economic relation between China and Vietnam?
 - 4.4. What are the social, environmental and political implications of Chinese foreign direct investment projects in Vietnam?

Concerning my research methodology: I am not planning to gather any empirical data myself, because it is not necessary. There is sufficient available information within the scientific community to answer aforementioned research questions extensively and with devotion to detail. That is why analyses of scientific discourses, as well as analyses of non-scientific discourses (in the case of most recent events) will be vital to this hermeneutical approach. In this respect I

will be mindful to present as many viewpoints as necessary to create as clear a picture as I can about a topic, that is immensely complex and consequently subject to a lot of interpretation.

2. Defining Dependency

Dependency itself, of course, is not a concept conjured up by dependency theorists or even any of their predecessors. Dependency is not even something that we as a species invented, though the *concept* of dependency can certainly be viewed as something we made up through our use of language. It will be helpful to define concepts of dependency as they manifest in the natural and social world by way of example, because this will help contextualizing any findings within a broader frame of reference.

According to critical realism it is vital to acknowledge how language influences the way we think; the term *dependency theory* alone biases those dealing with its propositions:

“Knowledge is also largely - though not exclusively – linguistic, and the nature of language and the way we communicate are not incidental to what is known and communicated. Awareness of these relationships is vital in evaluating knowledge” - (Sayer 1992: 19)

In order to contextualize, first I will get to the root of dependency by looking at the etymology and dictionary definition of the word *dependency*. I will then try to illustrate examples of dependency, which may be seen as *symbiotic*, and after that look at examples, which may be seen as *parasitical*. In a third step I will try to relativize those perspectives, because I want to find out, in how far dependency may manifest as a phenomenon with both “positive” (symbiotic) as well as “negative” (parasitic) aspects to it.

Dependency, or *dependence* derives from the Latin verb *dependere*, which literally translates to “hang down from”, *pendere* meaning “to hang” or “weigh” (cf. Etymonline 2019). The Oxfordonlinedictionary defines *dependence* as the “state of relying on or being controlled by someone or something else” (2019). The word *dependenc(y,e)-* is also commonly used in scientific terminology of various fields; in computer science (e.g. functional dependency), psychology (e.g. caffeine dependence) or linguistics (e.g. as a dependent clause). The ambivalence of terminology and language use becomes obvious here, and I think this

ambivalence also reflects in the multiplicity of dependency theory definitions, which I will demonstrate in the next chapter about theory.

Symbiotic relationships also have a component of dependency, because by definition *symbiotic* denotes both a close, but not necessarily mutually beneficial, interaction on a biological level, but also “a mutually beneficial relationship between different people or groups” (Oxforddictionary 2019). On a biological level our bodies may be perceived as a perfect example of *symbiosis*: Cognitive science and the science of biology suggest, that what we define as a human is not one thing, there is no “I”, or soul, or essence that makes us human. We are an amalgam of countless substructures², such as modules in the brain, or microscopic organisms cooperating, such as gut bacteria. These gut bacteria for example are as much dependent on us, as we are on them. Expressed in the simplest terms, if we do not deliver them the “food” they need, which is also the food we eat, then they die. Likewise, if these gut bacteria did not exist, the food we eat would not be digested properly; we need each other as part of a symbiotic relationship.³

We find these kinds of mutually beneficial relationships on the social level as well, which is why, from a certain perspective, society can also be regarded as a somewhat symbiotic organism.⁴ In every human society, since the inception of sedentism around c. 12000 to 10000 BC,⁵ it has become necessary to organize society through a division of labor. The need for “specialists” was born. People started specializing in one trade or another, such as farming, medicine, war or leadership; just like tractor drivers, military special forces, pediatricists or politicians now specialize even further in some modern societies (cf. Becker and Murphy 1992). Of course, these specializations hold varying degrees of benefit and suffering. But the point I want to make here

² I use the term *structure*, because that is the way a critical realist would possibly interpret mentioned phenomenon: “The world is differentiated and stratified, consisting not only of events, but objects, including structures, which have powers and liabilities capable of generating events” (Sayer 1992: 19)

³ Recent estimates indicate; there are more bacterial than human cells in the human body (cf. Sender et al. 2006)

⁴ Which is also how Chinese people typically view society - as an organism - at least according to Alan Watts (cf. 1999).

⁵ For example the Natufian culture in the Eastern Mediterranean.

is that we, as people in a society, are dependent upon one another and that there are also benefits to that lifestyle; e.g. longer life expectancy, security or comfort (cf. Galor and Moav 2005).

The same argument, that society is a mutually benefiting dependency, can easily be turned on its head however. For example, a leader, or a society as whole, may decide that the best way to maintain the order of society is through oppression in one of its many forms, such as slavery or aggressive warfare. The concrete historical situations of oppression are always more complex than they appear. But throughout human history it was certainly often the case, that some people, in a somewhat parasitic manner, took advantage of aforementioned social dependency. “Let them eat brioche [or cake]”; queen Marie Antoinette (1755-1783) is famously alleged of having uttered these words in response to hearing about the French peasant population having no bread to eat.⁶ According to a secondary definition in the Oxford dictionary a *parasite* is “a person who habitually relies on or exploits others and gives nothing in return” (2019).

In social reality it is rarely obvious whether a dependency relationship is completely parasitical, or whether there are some symbiotic aspects to the relationship as well. In the case of the last French monarchy, one could argue that: Marie Antoinette, and most of the French royal aristocracy for that matter, lived a most lavish lifestyle, only possible through the exploitation of its populace (parasite argument). But in her social function as queen and ruler, she and the rest of the aristocracy, though in a morally reprehensible manner, maintained the social order (symbiosis argument). I do not want to make a point for exploitation here, but in this case, viewing dependency from the two extremes of parasitism and symbiosis indicates a certain interpretative latitude. The most extreme argument for a parasitic social order may be slavery though. However, contemporary China obviously does not enslave Vietnam in any stricter sense of the word. Nonetheless, a relationship of servitude may yet be revealed as part of the historical relationship between the two countries. At this moment though, viewing dependency from the perspective of these two extreme forms of symbiosis and parasitism may serve as a first orientation. This perspective will help to understand, within a broader definitional context, in

⁶ Though there is controversy over, whether she really said it or not (cf. Barker 1993).

how far China's international relations strategy really reflects a "win-win" situation, or whether dependency between China and Vietnam takes on a more exploitative form. The following chapter however will delve deep into what dependency theorists think about dependence and how it may manifest in various forms on a politico-economic level, thus establishing the research focus of this paper.

3. Theory I – Dependency Theory

Before going into more detail, I will put forward a broad and basic definition of dependency theory, to formulate a basis, from which to build all further inquiry:

"[Dependency is] ... a historical condition which shapes a certain structure of the world economy such that it favors some countries to the detriment of others and limits the development possibilities of the subordinate economics...a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which their own is subjected." (Dos Santos 1971)

I will not confine this paper to inter-state relations, that Dos Santos focuses on; this definition is a first point of orientation. Fortunately, there is no such thing as a unified dependency theory (cf. Ferraro 2008), so dependency theory inherently offers flexibility, and I will make clear in how far there is a need for the theory to adapt. Here, from a critical realist viewpoint "meaning is context-dependent" (Sayer 2002: 41). I will focus on three prominent scholars of dependency theory: Raul Prebisch, Fernando Henrique Cardoso and Samir Amin. In this chapter I will attempt to distill, what is at the heart of dependency theory, and see how it may apply to this new East-Asian context at the beginning of the 21st century. All research questions will be developed from theory. In each part of the following theoretical considerations, I want to find out how different dependency theorists relate to the causal analysis of the situation and strategies to solve the problem.

3.1. Early Discourse – Raul Prebisch

Typically, dependency theory is said to have emerged in the 1950s and 1960s out of Central and South America as part of a much larger movement within international relations, curious to the

question, why some countries developed economically while others did not (cf. Ferraro 2008). Raul Prebisch then formulated his critique of classical modernization theory in his most influential work: *The Economic Development of Latin America and its Principal Problems* (1950). However, Prebisch was not the first to use the center – periphery - terminology to define the capitalist system. In *der modern Kapitalismus* Werner Sombart (rev. ed. 2012) wrote already in 1916: "We must [...] distinguish the central capitalist nations - from a mass of peripheral countries viewed from that center; the former are active and directing, the latter, passive and serving" (Love 1980: 62f.). He even used the term "dependency" to describe the relation to the center, partly as a consequence of Western colonialism. Yet, he did not theorize how center and periphery are related exactly (ibid.).

According to Grosfoguel (2000) ideas from Latin American dependistas like Raul Prebisch, Andre Gunder Frank, Theotonio Dos Santos, Fernando Henrique Cardoso and Enzo Faletto can be seen as successors of a developmentalist debate of the mid-19th century. In a pragmatic manner, scholars from Latin American countries sought ways to develop their own national economies, sometimes using neomercantilist and sometimes liberal economic ideas, depending on whether the situation on the world market favored one perspective or another. What makes this debate a predecessor to mid-20th century dependistas can be inferred from the following quote, made by a group of protectionists led by Vicente F. López (1785-1856), a professor of political economy in Buenos Aires: He talks about Argentine's heavy influence on English trade and, after highly praising the benefits of free trade, he remarks: "I do not understand; this is not free trade, this is making a country that does not possess this industry a tributary country. Thus, let's follow the path of protectionism, given that if we see the history of the manufacturing countries, we will find that their progress is due to protectionism" (Grosfoguel 2000: 352). López did not intend for Argentina to remain in protectionist isolation though, but wanted to temporarily disengage from the world market, and so disengage from the heavy reliance on England. Yet, as soon as the country grew economically, free market policies should be pursued. Their goal was nationalist

industrialization of the peripheral countries, and the relation with England was seen as the cause of Argentina's underdevelopment.⁷

Modernization theorists, such as Walt Whitman Rostow (1952) assume that growth in prosperous countries is mutually beneficial to all and argue, that some countries are not developing, because of their inability to pursue the correct economic policies. Raul Prebisch, then executive director of the Economic Commission for Latin America (ECLA) doubted this assumption from classical political economy. He surmised that economic strength from countries dominating in terms of "market power or in technological power" does not necessarily translate to economic or technological progress in "undeveloped" countries (Toye and Toye 2003: 448). I will note here, that Prebisch did not regard himself as a dependency theorist, though he contributed to its inception.

Often understood in conjunction with the works of Hans Singer (more below), Prebisch described the disadvantageous situation of peripheral countries from the perspectives of terms of trade and trade cycles: Peripheral countries export first and foremost primary goods to the center countries, who in turn manufacture these goods, adding value and re-selling those now manufactured goods back to the peripheral countries, but for a higher price. In other words, the terms of trade worsen for peripheral countries. Even if export volumes remain constant, the purchasing power of their exports will decrease in relation to the imported goods from center countries. In this context, Prebisch stressed the important role of technological progress. In his view technological progress did not translate to a decrease in prices, but increased wages instead. The benefits of technological progress remained in the center, because the higher wages of center countries allowed them to purchase more goods from the periphery than vice versa (Love

⁷ The most famous early advocate of protectionism might be Friedrich List. In his view, protectionism needs to accompany the development of every emergent economy, because free trade only really benefits advanced nation's economies. One of his ideas was, for example, that "infant industries" need governmental protection, so that commodity prices of these industries could compete with mature industries (cf. List 1841 [2014]).

1980: 48ff.). In a downturn swing of the capitalist trade cycle, when commodity prices in the periphery fell, peripheral countries were not as capable, at least in isolation to influence commodity prices like the center countries could. If prices for manufactured goods would have fallen due to technological progress, positive effects of technological progress would have spread more evenly over both the center and the periphery, and the terms of trade for primary products would have become better, which they did not. Economic theories of a trade equilibrium, like in theories of comparative advantages, were thus seen as unfit to solve the problem of unequal development (cf. Love 1980).

Prebisch committed his thoughts about deteriorating terms of trade and the absorption of technological progress by the center to paper in his "ECLA Manifesto" *The Economic Development of Latin America and its Principal Problems* (1949). In the same year, a UN report titled *Relative Prices of Exports and Imports of Underdeveloped Countries* concluded that "on the average, a given quantity of primary exports would pay, at the end of this period, for only 60 percent of the quantity of manufactured goods which it could buy at the beginning of that period", reinforcing Prebisch's argument with empirical evidence (cf. UN 1949: 7; cf. Cypher and Dietz 2018).

In 1950 Hans Singer, another UN economist, published an article, illustrating the consequences of technological progress for center and periphery. While technological progress in manufacturing lead to an increase of incomes in center countries, technological progress in primary goods, in the production of food stuff and raw materials in peripheral countries, lead to a crumbling of prices of these goods. Singer argued that technological progress has differing effects on income elasticity of demand (meaning the % change of a quantity demanded, divided by % change in income) with respect to primary in contrast industrial goods. Since buyers of manufactured goods were more likely to live in the peripheral countries, who produced more primary goods, and the opposite was true for buyers primary goods, the center "had the best of both worlds" (Love 1980: 58). The ideas of Prebisch and Singer were often seen in conjunction with one another and so their theories came to be known as the Prebisch-Singer thesis.

Early dependency theorists argue, that it is structurally impossible to catch up on development, while still being entangled in the capitalist world trade. According to Prebisch, peripheral

countries were faced with three unfavorable options (cf. Love 1980): (1) They could strengthen their national currencies to increase imports, which would result in high unemployment, or (2) they could counter high unemployment via a devaluation of their national currency, causing inflation and diminishing their import capabilities, or (3) melt their own monetary reserves by maintaining employment levels, whilst not devaluing their currencies. The strategy Prebisch then proposed for the peripheral countries was to disengage economically from the center countries, aiming at a policy of “Import Substitution Industrialization” (ISI), a kind of trade protectionism to promote industrial development. Breaking away from the center was thus seen as the only way for the periphery to form a new center.

Many dependency theorists sought complementary ways to explain the divide, especially taking into account other historical and structural relationships between peripheral and center countries: “Historical research demonstrates that contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries” (Frank 1966). Here it becomes obvious why dependency theory can barely be regarded as a single coherent theory, but an amalgam of different approaches to understand the phenomenon of (under-) development and dependency, both as a consequence of historical developments and as part of a politico-economic structure (cf. Brown 1985). Samir Amin also criticized the economic approach of the Prebisch-Singer thesis, saying that political, social contexts as well as environmental must not be neglected (more on Amin below).

Keeping in mind just mentioned critiques, what is useful from this early discourse for this paper? The terms of trade, trade cycles and technological progress are essential elements of the Prebisch-Singer-thesis, but, in isolation, not enough to explain why some countries develop, while others do not, which is not to say, that they are not important for the study of China and Vietnam. In order to understand the terms of trade, which are the ratio of import prices to export prices, the socio-political context is also important, so I am asking the question; how are the Sino-Vietnamese terms of trade and what influences them? Here, I will look at the Chinese credit and financial system, and at empirical evidence of Chinese foreign direct investment-projects in the Mekong Delta, as well as the 99-year land-lease deals, which are currently causing renewed anti-

Chinese sentiment in Vietnam. It has become obvious, that the early dependency discourse is not enough to understand dependency relationships. From the 1970s onwards, Fernando Henrique Cardoso and Enzo Faletto have been very influential on the Latin American dependency discourse, adding new dimensions to the discourse, which is why I will outline their position in the next chapter.

3.2. Discourse until the 1980s – Fernando Henrique Cardoso

Enzo Faletto and Fernando Henrique Cardoso wanted to understand more about the distinct national situations of dependency. The views of Cardoso and Faletto (1979) have not only been called the “magnum opus of dependency theory”, but their example also shows how, even within the Latin American discourse, there was a multitude of, sometimes contradicting perspectives on dependency and how to tackle it (Velasco 2002: 44; cf. Candler 1996).

Their views are at the core of the Latin American dependency discourse, and critically looking at them will allow to identify strengths and limits of dependency theory as well. They analytically differentiate between autonomy-dependency-, center-periphery-, and development-underdevelopment relationships (Cardoso and Faletto 1979: 9ff.). In their understanding *underdevelopment* refers to the level of forces of production, and technology and knowledge are very important in this respect. *Dependency* is concerned with the national conditions and function of the economic and political system, and it shows in the internal as well external linkages within that system. *Periphery* describes the role of underdeveloped countries in the international economic system (cf. Grosfoguel 2000).

Basing their view within a Marxist tradition, they acknowledge, that well-organized national elites (peripheral bourgeoisie) cooperate with the elites in other countries to make sure they retain political and economic power. This view is still within the norm of a Marxist tradition, that many other “orthodox” dependistas uphold as well. But Cardoso and Faletto criticized other dependistas for focusing too much on external factors, said to stifle development. They argue, that much of the economic misery in Latin America is due to “often dysfunctional societies”, that have to engage in a global competition with more functional societies (Candler 1996: 11f.). The term *dependent development* means, that a state is potentially able to develop economically,

even if they have no autonomous control over all the processes of decision-making of their economic and political system. In Cardoso's view internal processes on the level of the nation-state, rather than the structural position within the international division of labor, determine, whether a country is at the periphery, dependent, and underdeveloped (cf. Grosfoguel 2000).

Cardoso formulated three strategies for dependent countries to achieve development. First, reform or revolution could enable a nation-state to gain control over decision-making processes. Second, an export-oriented dependent state could accumulate capital internally, allowing for industrialization to take place. Third, a country that is both dependent and peripheral could develop through industrial diversification and investment from multinational corporations; the acquisition of new technologies being key here (cf. *ibid.*). Cardoso recognized the need to integrate social, technological and environmental theorizing in an answer to dependency and underdevelopment. He wrote in 1993, whilst assuming office as minister of finance in Brazil: "A future with dignity for the countries of the South will be achieved only with more education, a better state, enhanced productivity from its "human capital", and a great technological leap forward (Cardoso 1993: 157).

Typically, the political implementation of and advertisement for protectionist policies in Latin America were often mixed with nationalist agendas, as the 19th century example has shown, but also, for example, in the cases of Brazil in the 1930s or Argentina in the 1950s. Dependency theory somewhat dominated the Latin American developmental discourse and led to policy implementations such as ISI until the mid-1980s. Some reasons are being put forward as to the failure of ISI, which is also a protectionist trade policy, and it was eventually abandoned by most Latin American countries in the wake of the 1980s debt crisis, because: (1) the internal markets of peripheral countries are seen as being too small to match the large scale of center countries' economies, (2) the political willingness is doubted, as to transform into something else but a producer of primary goods, (3) it is doubted whether peripheral countries actually had the power to control that transformation (cf. Ferraro 2008), (4) military regimes put a halt to scholastic autonomy and Latin American intellectuals turned more toward democracy as a theoretical framework (cf. Reilly 2014) and (5) the global economic order changed as neo-liberal market

policies were being pushed through by the Reagan and Thatcher administrations in the US and Great Britain.

Both Prebisch and Cardoso recognized that all politico-economic structures, the national and international divisions, exist within a global system, which is characterized by global capitalism: “The reproduction and amplification of inequality between advanced economies and dependent economies developed as a by-product of the very process of capitalist growth” (Cardoso 1972). Because of that the global system is dominated by liberal economic theories, promoting trade and financial regulations on behalf of the center countries and the elites within all countries. International institutions, multinational corporations, the financial system, they are all perceived to be instruments of power, catering to the interests of the center and the bourgeoisie in both center and peripheral countries. That is why, it will be fundamental, to answer the following research question: Is China facilitating a capitalist environment, and if so, what kind?

Even though there are certain rules that apply for countries at the periphery as well the center, in Cardoso’s view “a single capitalist social system in which every country forms an integral part does not exist. There are as many capitalist systems (or capitalist social formations) as there are nation-states in the world” (ibid.: 367). I think, this is a major weakness of the Latin American dependency theory school; the negligence of the world-system. Even Andre Gunder Frank, a major figure of dependency theory later acknowledged the need to integrate the world-system perspective. Yet, dependency theorists like Cardoso or Prebisch were still convinced of the modernist idea, that development of an underdeveloped state was possible through rational decision-making on the state-level.

As Immanuel Wallerstein (2004) has shown, it is impossible to just disengage from the world-economy and develop, because the capitalist system works on a global scale: “A global problem cannot have a national solution” (Grosfoguel 2000: 362). For that reason, the world-system perspective is one of the central augmentations I make to my dependency approach. For me, using a dependency approach, instead of a world-system approach, is first of all a matter of focus. Also, I think the definition of dependency of Theotonio Dos Santos, I gave at the beginning of this chapter, where he points out, that the structure of the world economy “favors some countries to the detriment of others” is still a valid statement. Also, I think the view, that advantages in

technology and knowledge reflect center – periphery differences, on both the inter-state and the world – level, is worth discussing.

3.3. Delinking and Perspective on China – Samir Amin

One major figure in the developmental discourse, who combined dependency theory with world-system analysis and applied it to the Global South, was Samir Amin. Quite essentially for this paper, he also focused his attention on China in some of his later works (cf. Amin 2013). Just like many other dependency theorists, he argues that global capitalism systematically favors some countries to the disadvantage of others. He also believes that structural dependency of the peripheral countries is due to the stagnant capital accumulation in the periphery, who mainly produce primary goods, whereas the center accumulates capital due to price differences of manufactured goods, which are mostly produced in the center. Most development in peripheral countries, in his view, is *development of underdevelopment*. Peripheral countries may be growing economically, yet this growth does not translate to lasting development. Surplus generated in the periphery is typically translocated, either directly to center countries or to the local bourgeoisie, that Amin also called the “comprador class”, which collaborates with the elites from the center. Typical ways of surplus-extradition nowadays are structural adjustment programs and debt repayment (cf. Robinson 2011). I will be vigilant to analyze the Sino-Vietnamese relationship with regards to these ways of surplus-extradition and elite corporation, especially when I talk about *guanxi* business relations, and as part of the empirical investigation of Chinese investment in Vietnam.

In one of his more recent works, *The Liberal Virus* (2004) Amin relates the current phase of neo-liberal agenda with the war on terror and finds, that permanent war is an ideological necessity to continue justifying imperialist expansion and exploitation (cf. Holt 2008). Trying to understand ideological propaganda in the China – Vietnam context will also be part of this paper, and, using a neo-Gramscian approach, I will investigate how the Chinese make use of ideology to promote their financial system as well as the One Belt One Road Initiative. In addition to that, Amin contends, that the term *poverty* is problematic, in so far that it is not the mere fact of a certain lack of impoverished people or nations, but that poverty is an active process of constant reproduction via resource exploitation and surplus extradition.

Amin reacts to neo-liberal theorists, whom he criticizes for focusing only on capital expansion, whilst ignoring implications of structural disempowerment and social conflict. In his view, there have been three periods of capitalist development; the mercantilist period (1500-1800), the competitive period (1800-1880), and the present period of *monopoly capitalism*, where profit rates can only be maintained through unequal exchange. The current period is monopolistic in character, because center countries established control over key monopolies like in technology, global finance, military, ideological and media production, as well as natural resources (cf. Amin 1997), and unequal exchange is the main instrument through which global capitalism reproduces developmental inequalities. From his perspective, there are not only developed and underdeveloped states, but underdevelopment and development are reproduced globally; it is a global problem.

Much more than Cardoso or Prebisch, Amin insists on the need for social struggle to create change, because historically social advancements have always been the consequence of struggle, so resistance at the periphery is essential for a positive change. He sees contemporary monopoly capitalism in a stage of decline, and is convinced that capitalism will implode because of its internal contradictions, as he dubbed this period the “autumn of capitalism” (cf. Amin and Motta 2011). In Amin’s eyes socialism is the next and desirable stage of development, yet he thinks that this autumn of capitalism is a dangerous period, because, as this long-lasting decline takes place, the centers of capitalism will try to maintain control with their immense destructive capacities.

Amin’s strategy to tackle the problem of structural underdevelopment are similar, yet far from equal to Cardoso’s or Prebisch’s propositions. One way to understand Amin’s strategy is through the principle of *delinking*, and he sees delinking as an unavoidable element of a socialist forward movement. Instead of peripheral countries adjusting to the needs of center countries, promoting global expansion and so aggravating the global divide, delinking attempts to break that pattern, not via autarky but via by linking to new emerging centers (cf. Amin 1990). He describes it by way of example: “I said it is requested that the Congo adjust to the needs of the US, not for the US to adjust to the needs of Congo. So, it’s that adjustment, which is simply one side adjusting. Now, delinking means you reject that logic, and therefore you try to, and succeed, as far as you can, to have your own strategy, independent of the trends of the unequal global system.” (Amin

2017). Amin is convinced that delinking, meaning refusing to follow the logic of unilateral adjustment, will eventually enable peripheral countries to develop. Delinking in Amin's sense does not mean complete isolation of one economy from the rest of the world; instead he argues for more South – South cooperation. Having co-founded and presided over the Third World Forum in Dakar shows his conviction to more South – South cooperation. Delinking needs to also be a popular national project for peripheral countries, not in the sense of a nationalist project, but in the sense of the need for political change on the nation-state level from a public base, but on the national level. He is convinced that political and social movements from defensive positions need to go on the offensive “attack” with a positive alternative to really existing capitalism (Amin and Motta 2011).

What could delinking mean in the context of China and Vietnam; what exactly could Vietnam be delinking off? I think one perspective to take on this, is that it can be seen as a two-sided linking and delinking process, somewhat linking and delinking from China and the global dominant capitalist world order respectively. I will go into detail later, but Vietnam has been opening up to, or linking to the logic of global capitalism in recent years, achieving growth rates similar to those of other countries in South-East Asia. Of course, economic development is not the same as overall development (as I will explain below), yet linking, instead of delinking to the dominant centers of global capitalism was met with some economic success in Vietnam. This linking and delinking from the old dominant centers and emerging ones like China respectively has been described as “a kind of active anti-globalization which is in a dialectical relationship with globalization itself” (Zhang 2013: 104). This is exactly what it is like to live in an emerging multipolar world order; as a peripheral country you can more or less decide, who to link or delink to. However, the “success” of delinking “depends on the negotiating capacity, bargaining power and the economic, cultural and political advantages of the peripheral countries” (ibid.). I think this where the logic of earlier visions of dependency theory like from Prebisch and Cardoso is valuable: Even though, the thought that peripheral states can potentially develop on their own, somewhat ignoring that “a global problem cannot have a national solution” is still true, it is also true that nation states have room for maneuver, not only against the backdrop of Amin's proposal of more South – South cooperation, but also in light of an emerging multipolar world order. That is why, I will show, in

what situations Vietnam links and delinks to and from China (the emerging center) and world trade, but also in the context of regional corporation, for example with ASEAN, by answering the question: In how far does Vietnam link and delink to China and to global trade respectively, and what role does the regional and global economic system play in mediating or influencing the politico-economic relationship between both countries?

In Amin's view China's particular path to development is an original one with historical roots in Mao's era. It is a unique path, that sets them apart from other developing countries, and ultimately aims at socialism (cf. Amin 2013). Ever since Mao's time land has never become a commodity in China, which is central in Amin's eyes to protect national sovereignty. It is the same situation in Vietnam, where land cannot be purchased by foreigners, but instead belongs to the Vietnamese people. In how far land rights are nonetheless still a contested issue will become clear in the empirical chapters of this paper. Amin contends that Chinese state capitalism, which really began during Deng Xiaoping's era, was constructed to serve three main goals: (1) to organize a modern industrial system with sovereign control, (2) to manage relations of this system with rural production, and (3) to integrate China into the world system, which is controlled by the dominant center (ibid. 20f.). Amin calls this the "long route to socialism", which allows for capitalist tendencies to emerge, but with strong state control to steer in the direction of socialism.

When it comes to the integration into the global system, China has managed to stay at least partially in control. For example, China's banking system is "completely national", focusing on the internal credit market and retaining large reserves (ibid. 22ff.). In my view Amin is a little too optimistic in this respect, and it will become obvious, why at least some of Amin's assertions will need to be relativized. For example, he was also convinced (in 2013), that Chinese "debt is negligible compared with the rates of indebtedness". In light of a possibly imminent debt crisis erupting from China, this perspective is needs to be doubted and will be reviewed in a later chapter.

Amin sees a twofold strategy as the only way to counteract the logic of the dominant centers. First, China will need to bolster its military capacities, and second it will need to further pursue the goal of a polycentric world order, where South-South cooperations are essential. Amin

emphasizes the second part of the strategy, because China would do bad to repeat the mistakes of Western imperialism via military strength, and the benefits of helping other developing countries to industrialize and to increase cooperation with them is a much more effective long-term strategy (ibid.: 28ff.). Understanding China's increasing engagement on a global scale as well as reflecting on South-East Asian South-South cooperations will thus be central to this paper.

3.4. Missing Points

After relating the thoughts of Prebisch, Cardoso and Amin to the case of China and Vietnam, some things have not been addressed yet, that are important in my eyes, to understand what China's rise means for Vietnam. I have mentioned before, that historical conditions and ideology are important and I will sketch out my approach here in the next chapter, but I also want to call attention to the subjects of ecology and philosophy. Samir Amir, for example, was well conscious that capitalism has devastating effects on the natural environment (cf. 2009). By checking with empirical evidence from China's economic investments, I will point out some ecological effects of China's engagement in Vietnam, because I am convinced that economic development needs to always be seen in conjunction with the environmental question, so: Does dependency express empirically in the form of environmental problems? Another important perspective is that of philosophical culture. President Xi Jinping does not only openly advertise for Confucianism, but it is also necessary to understand the cultural implications of Confucianism in the context of East Asian business relationships.

4. Theory II – Connecting Theories

Critical realists posit that the persistent reliance on merely one research method, one epistemology, is not enough to acknowledge the complexity of the world, that we seek to understand. Critical realists call this persistent reliance on one method an "epistemic fallacy" (Sayer 1992), which makes people "paint the world in a single color" (Laske 2016). Many scientists would probably regard this a truism, but Roy Bhaskar, the originator of critical realism argues that, what scientific inquiry often and rather unfortunately comes down to is "ontological

monovalence”; which is to rely on the “purely positive, complementing a purely actual, notion of reality” (Bhaskar 2008).⁸

For that reason, I will use a wide range of theories, but dependency theory will serve as a basis and create a focus on certain political and economic aspects. From a critical realist perspective, we will never grasp all covert “causal mechanisms”, influential on any event or relationship. What we as social scientists can do, is to aim for “practical adequacy”, which means to make use of as many methods as necessary and possible, without succumbing to an unfocused eclecticism. A view, that seems to be congruent with more recent approaches from dependency theorists. With regard to this paper this means, that I will utilize “sister ontologies” from political economy, namely world-systems theory, neo-Gramscianism, asymmetry theory and even classical liberal economics, whenever dependency theory fails to make sense of a certain phenomenon.

4.1. Critical Realism – Ontology, Epistemology and the Combination of Theories

I want to go into a little more detail of critical realism for two reasons: First, I have two lay out, why and in how far my selection of ‘assistant’-theories, the ‘sister-ontologies’, are even compatible with dependency theory, which I will in this chapter. And second, I have to make sure, on an ontological level, in how far I will have to adapt my research epistemology, my particular way of trying to find something out, in the Sino-Vietnamese context. I will explain, what exactly I mean by this in the following paragraphs.

“All theory makes assumptions about the nature of reality, and such ontological assumptions carry implications for the way one conceives knowledge and necessarily regulate how one studies objects or event.” (Wikgren 2005)

Most western science since René Descartes is implicitly informed and influenced by a dualistic view of the world. It is the assumption between that which I am, and everything else: Cogito ergo sum. Later Marx, in a more Aristotelian tradition, bases his works within such a dualistic

⁸ Critical realism was, at first, a reaction against a radical positivism or falsificationism, which was and oftentimes still is very fashionable in the study of human societies. This reaction still reflects in statements such as the one just given. But the notion of ontological monovalence goes a step further and criticizes all social scientific inquiry that is “too sure” of its own research methodology.

framework, which then manifested as both a materialistic and individualistic school of thought; Marxism (cf. Lobkowitz 1970).

The problem is, in both China and Vietnam a collectivist conception of the human being and human societies predominates, at least it did so throughout most of history, and it is still continuing to have an effect (cf. Bell 2010; Harris 2001).⁹ Philosophies such as Confucianism and Buddhism paint an entirely different picture of society and the roles of individuals within a society. What makes things even more complicated is the fact that China and Vietnam officially identify themselves as communist, and in addition to that also engage in consumerism. This is a battleground between starkly distinct ontologies: monism vs. dualism; as well as Confucianism vs. Communism vs. Consumerism (cf. Zhao 1997).

A confucianist worldview centers around the principles of harmony and self-cultivation, which are collectivist and monist in nature. I need to make clear that dependency theory is based on the assumption of an individualist society, which China and Vietnam may or may not be. It is not all clear, whether dependency theory, or most other western theories for that matter, are applicable to (at least partly) non-individualist societies.

There are at least two implications for this paper: First, do all conclusions need to be treated with extra care, and second, it becomes all the more obvious why analyzing the influence of eastern political philosophy on dependency in East Asia is crucial.

Next, I will sketch out, in how far the following theories will complement dependency theory; Asymmetry Theory, World-Systems theory, Neo-Gramscianism, Classical Economics may be combined with Dependency Theory. To open up and guide this mix of theories I use critical realism as a meta-theory.

⁹ Another way of understanding cultural differences between East and West has been formulated by Alan Watts: "Human beings have had three great views of the world. One is the Western view of the world as a construct or artifact [...] Then there is the Hindu view of the world as a drama, looked at as a play. Third is the organic Chinese view, looking on the world as an organism, a body" (1999).

4.2. From Dependency Theory to World System Analysis

In a broader sense there are many shared borders between world-systems theory and one of its major influencers, dependency theory, as both assume structural dependencies within a capitalist system, and because dependency theory gave way to world-system theory. Nonetheless, world-systems theory differs from dependency theory in some critical points. One difference is that world-systems theory argues for a tripartite division of labor, and a certain mobility within that division between core, semi-periphery and periphery. Also, the world is the unit of analysis. Another big difference is that surplus-value added in capitalist production is added to the capital of capitalists in all countries, not just to the core countries. Thus, the difference lies between an international division of labor (dependency theory) and a transnational division of labor (world-system analysis). It is the transnational global elite that cooperates to accumulate capital by adding surplus values. In his view, tension exists between the international state system and transnational economic actors. Furthermore, both theories differ in possible strategies to break the exploitative cycle. As we have seen import substitution industrialization is one such strategy employed by early Latin American dependendistas, whereas world system analysis, as Immanuel Wallerstein finds that an answer is more complex than that: “We need first of all to try to understand clearly what is going on. We need then to make our choices about the directions in which we want the world to go. And we must finally figure out how we can act in the present so that it is likely to go in the direction we prefer. We can think of these three tasks as the intellectual, the moral, and the political tasks. They are different, but they are closely interlinked” (cf. Wallerstein 2004: 89).

There are several reasons why I focus on dependency theory and not on world-systems theory. First and foremost, I am primarily interested in the bilateral level and not the global level. However, integrating a world-level analysis is still essential to this paper, but implications for China and Vietnam will be the focus here. In terms of critical realist terminology this choice between theories is also a matter of “abstraction”, “[...] which should isolate necessary relationships” (Sayer 1981). With respect to this paper this means, that analyzing dependency on a bilateral level of abstraction may help to inform dependency effects on a world-level and vice versa. In a comparable way this predominantly bilateral analysis may also help to better

understand dependency relationships between China and other South-East Asian nations as a group, or China's relation to other states beyond its close vicinity. Still, the level of resolution is much higher, on the bilateral level.

It is necessary to keep in mind, that all regional political and economic developments are embedded within a global (capitalist) system. Here, the possibility of a rise of China as an emerging center (cf. Frank 1998) would be unthinkable, without assuming first a certain kind of mobility within that capitalist system; from periphery to semi-periphery to center to semi-periphery to periphery, which world-systems analysis postulates. In earlier conceptions of dependency theory, as formulated by the Latin American dependistas for example, this upward mobility is not envisioned as part of the relatively unchanging center - periphery – dichotomy. That is why, to view China as something like an emerging center country, it is necessary to build upon the notion of mobility, wrought by world-systems theory.

In my analysis I will focus on a key prediction made by Immanuel Wallerstein, which states that the end of capitalist cycles will cumulate in a *crisis*. A crisis in this sense marks the end of the world system, which, as I argue, may be nigh. In this short chapter, I will tackle the following research questions, to better understand just mentioned insights: *What could the capitalist debt crisis mean in terms of dependency between those two countries?*

4.3. Neo-Gramscianism and Dependency Theory

Most definitions of dependency theory acknowledge that “external forces”, such as international institutions or multinational corporations exist and influence dependency relationships (Ferraro 2008: 2). But that is not the focus of dependency theory. For this reason, it is necessary to broaden the toolset, to encompass this neglected, yet decisive feature of dependency relationships.

Neo-Gramscianism may help to understand what is being neglected. Though world-system analysis acknowledges the importance of hegemony as well, hegemony is the central analytical category in neo-Gramscianism. Hegemony, according to neo-Gramscian theorists, is composed of: production means, ideas, and institutions (cf. Bieler and Morton 2004). In this paper I will look at a particular kind of hegemony; hegemony that may or may not be established via financial

institutions. It will be key to find out, what kinds of financial institutions and treaties the Chinese are setting up in a bilateral, but also in a regional context. As we have seen, the Chinese have set up a particular hybrid capitalist system, and we are now interested in finding out, what role financial institutions play to establish hegemony in that environment.

It is useful to briefly contrast the concept of hegemony with the concept authoritarianism. In neo-Gramscian theory hegemony is maintained via cultural persuasion, hence the term “cultural hegemony”; it is a kind of force, but a force mostly lacking in violence. The so governed population, or nation(s), give their tacit consent. An entirely autocratic financial system in contrast would exert violence to achieve its means. This is not what the Chinese are doing, for example with the establishment of the Asian Infrastructure Investment Bank or other informal trade networks. In addition to that, cultural hegemony is, of course, a multifaceted phenomenon, meaning that it can be viewed from various angles, such as from the level of a particular institution, or from the level of a particular set of ideas maintained by an “organic elite”.

This approach will shed some light on China’s “grand strategy”, by showing how the Chinese state appears to make use of institutions and ideas to facilitate a politico-economic system to its liking. Neo-Gramscian theory will help to put the interplay of financial institutions and the grand scheme of “proactive” policy-making into a perspective of hegemonial relationships.

4.4. Open Trade Economics and Dependency Theory

Those critical about dependency theory and arguing from a liberal-economic perspective often point out, how the dependency paradigm is unable to explain the rise of the Asian tiger states (Hong Kong, Singapore, South Korea and Taiwan).¹⁰ The first thing I will do is sketch out this discussion between the liberal-economic ‘developmental state’ model and dependency theory; that is to say between classical economics and a more Marxist social analysis. For one thing, because this discussion has led to differing conclusions about policy making (protectionism vs. open markets) within the same geographic region. And for another thing, because it tackles the

¹⁰ “The Four Asian Tigers” is a proper noun. Japan’s development may have had similarities with the Tiger states, and the Tiger states may have somewhat been inspired by Japan, but Japan is not part of them in the strict sense.

following research question up front: What role does the regional and global economic system play in mediating or influencing the politico-economic relationship between both countries?

Arguments for or against unconstrained markets, from the aforementioned 18th century discussion, are still being raised today. Here, the current trade war between the USA and China, initiated by the Trump administration in 2018, is emblematic of an issue, which still remains fundamentally unresolved. I think protectionist and delinking arguments, made by many dependency theorists, and open trade arguments, made by many modernization theorists, can be regarded as parts of that same discussion. Even though, of course, protectionist arguments are not the sole domain of dependency theorists; for example, Donald Trump is certainly not an advocate of dependency theory, but sometimes favors trade protectionism.

Several reasons have been proposed to explain why Latin America did not develop as foreseen by dependency theorists, while some East Asian countries developed as described by the developmental state model (cf. Woo 1999):

	Latin America	Asian Tigers
Geographic Differences	a. rich in natural resources b. medium to big sized countries	a. few natural resources, b. small to medium sized countries
Political Differences	c. Friendly neighborhood (regional cooperation) d. (more) democratic e. leaning toward a social-democratic state policy	c. Hostile neighborhood (danger of interstate conflict) d. (more) authoritarian e. leaning toward a conservative state policy
Economic Differences	f. Opposition to US-led economic paradigm g. developing industries	f. No opposition to US-led economic paradigm g. agrarian
Policy towards Global Economy	h. Mostly Trade Protectionism (regional Cooperation)	h. Targeting World Market (less regional cooperation)

Fig. 2 Summary of Woo's findings; Constantin Coeler

It is by no means obvious, which of the geographic, political and economic differences between Latin America and the Asian Tigers may have had the strongest influence. Not only due to this unclarity, I want to take liberal economic arguments seriously. But also, because I want to find out both, how Vietnam is integrated in the global market economy, and second to discover how Vietnam's integration in the global market might influence the relation to China.

4.5. Asymmetry Theory and Dependency Theory

Asymmetry theory is an international relations theory and has been developed by Brantly Womack, who applied it to the case of China and Vietnam (2006). It differs from the usual focus within international relations, which is often on the interaction between powerful international actors, such as in Game theory; instead focusing on other parameters. Asymmetry theory will be the historical lens of this paper.

The two fundamental theses of asymmetry theory are: "[...] first, that disparities in capacities create systemic differences in interests and perceptions between the stronger and weaker sides of the relationship. [...] Second, although asymmetric relations are rarely unproblematic, they tend to be robust." (ibid.: 17f.).

Before going into detail, it is useful to now briefly relate the terms *asymmetry* and *dependency* with one another. Asymmetry is being defined as a "Lack of equality or equivalence between parts or aspects of something", whereas dependence is being defined as "The state of relying on or being controlled by someone or something else" (Oxforddictionaries 2019). I think these terms are akin to one another, because both hold an element of relationality to a certain "something", a relation that is also somewhat askew, or out of balance, yet both terms certainly differ in that asymmetry does not necessarily imply an element of control or reliance. Though the terms *asymmetry* and *dependency* are not equal, and both theories differ in focus, asymmetry theory will not only prove valuable to understand today's fears and nationalist feelings in parts of Vietnam about a perceived Chinese 'invasion', but also make clear how both country's historical relationship was influenced by unbalance and disproportion: "The realities of differences in capacities are reflected in real differences of perspective and role" (Womack 2006: 20).

In more concrete terms, asymmetry theory focuses on relational aspects such as neglect vs. over attention, mutual (mis-)understandings, autonomy vs. reliance, and hard power vs. soft power control mechanisms. Though I could not find any literature, that seeks to combine or at least compare dependency theory with asymmetry theory, Womack devotes more than half his book on asymmetry between China and Vietnam on an historical analysis and its influences on the present. As pointed out, the Sino-Vietnamese relation has a very different, and not merely colonial past, compared to Latin America or Africa in relation to Europe. But we need a historical lens through which to understand this quasi non-colonial, very old and shifting Sino-Vietnamese relationship, which asymmetry theory offers.

It is necessary to separate myth from history here to discuss the research question: *What can the history between China and Vietnam tell us about the present relationship with respect to dependency?*

5. History of Sino-Vietnamese Dependence

Traditionally dependency theorists analyze international relationships within a capitalist system as a consequence of a colonial past; dependency being a 'historical condition'. Just like Roy Bhaskar, founder of critical realism, who similarly asserts: "There is no way of knowing the world except under particular more or less historically transient descriptions" (Bhaskar 2008).

According to dependency theorists, relationships of dependency now continue, even after processes of *de*-colonialization shaped the political maps we know today. The continuing relationships of dependency have been tried to explain as a function of neo-colonialist practices with mostly western countries dominating as core countries (Larrain 1991). Anibal Quijano (cf. 2000) describes with the concept of coloniality of power how colonial social practices and forms of knowledge continue in modern postcolonial states, meaning that social, political and racial hierarchies from European colonialism remain to this day.

Here we encounter our first anomaly with respect to the historical relationship between China and Vietnam. Though Vietnamese anti-Chinese Nationalism runs high (cf. Pew Research Center 2015), the historian Bill Hayton claims: the assumption that the Vietnamese nation and culture

came into existence only in opposition to Chinese invaders is an “anachronistic myth” (2014). It appears that the present relationship was not (only) shaped by colonialism. Calling the Sino-Vietnamese historical relationship one of economic and cultural interdependence, as well as a particular type of colonialism, may be closer to the truth (cf. *ibid*).

I will sketch out a historical narrative of relations between China and Vietnam from the perspective of asymmetry theory, because the history between China and Vietnam is much older and diverse than what is typically considered by dependency theorists. I will begin this narrative in pre-imperial times, even before the establishment of the Han-Dynasty (221 BC) and work my way forward to see how the relationship changed over time.¹¹ After doing that, I will outline in how far Vietnam has become dependent on China, since socialism was introduced in both countries.

According to Womack, there are eight general phases of the Sino-Vietnamese historical relationship (see table 1). In what follows I will retrace these phases to eventually interpret them from the perspective of dependency.

1.	-221 BC	Pre-imperial
2.	111 BC-AD 968	Vietnam as part of China
3.	968-1885	Unequal empires
4.	1840-1949	Fellow victims of imperialism
5.	1949-73	Revolutionary brotherhood
6.	1978-90	Hostility
7.	1991-99	Normalization
8.	1999-	Normalcy

Fig. 3: *General Phases of the Sino-Vietnamese Relationship* (Womack 2006: 23)

¹¹ As a result of defining dependence, I will also be vigilant to filter any signs of ‘*slavery-like*’ occurrences. It matters how we define *slavery*. In the narrower sense of the word, slavery is the objectification of human beings, forcing them to work without pay or freedom. A more metaphorical definition in the sense of e.g. *slaving away* would be to broaden a definition to apply in this paper, which is why I will only look out for slavery in the narrower sense of the word.

5.1. Historical Relationship from Pre-Imperial Times until 1949

Pre-Imperial (-221 BC)

The Sino-Vietnamese relationship even before the Han-Dynasty (BC 221-206) is relevant, though during that time China was not yet China and Vietnam was not yet Vietnam. However, “the scale of what was emerging in Chinese territory affected what became Vietnam” (ibid.: 5).

In ancient history China and Vietnam could not be identified as states, yet both geographical regions were home to distinct stone and bronze age cultures. The oldest archeological findings locating the place of inception of the Chinese civilization, have been found in the vicinity of the Yellow River, now northern China, which is far from the cradle of Vietnamese civilization; much to the south at the Red River delta (cf. Lawler 2009). During the Spring and Autumn Period (770-476 BC) and the Warring States Period (475-221 BC) a multitude of states engaged not only in war, but also in a much broader cultural exchange within a context of interdependence. Vietnam, then called *Bach Viet*,¹² was drawn into these exchanges and conflicts as the southernmost people. In other words, those ancient Vietnamese were a distinct and self-determined people at the orbit of pre-imperial Chinese’ direct influence. Though neither the peoples in China, nor those in Vietnam politically or militarily opposed each other in a situation of national consciousness, Vietnam was close to the zone of conflict and cultural exchange, which would later be formed to constitute the Chinese empire (cf. Womack 95ff.).

Vietnam as Part of China (111 BC – 968 AD)

Emperor Qin Shi Huangdi, the first emperor of Qin (221 BC – 206 BC), is famously remembered as the first Chinese ruler who unified the warring states under one rule, also establishing the first national rule of law.¹³ To sustain his rule he abolished feudalism and restructured the entire political system into an empire with administrative divisions, whose commanders were elected according to merit and not according to hereditary rights. While I do not intend to detail China’s administrative history, it is important to note, how a desire for stability and peace pushed toward

¹² The people of the *Bach Viet* can be seen as many ethnically linked tribes also called the “*Hundred Yue*”.

¹³ The name *China* is derived from the Qin-dynasty, then under command of Qin Shi Huangdi.

centralization of power. Control diminished with increasing distance from the center. Vietnam was a part of that empire, but it was also at its geographical periphery. As a consequence, in the more than 1000 years of Chinese dominion over Vietnam, rebellions broke out, whenever the central power was distracted by internal or external disputes (Womack: 104ff.).

One such notable event is the rebellion of the Trung sisters in 40-43 AD against the Han-Chinese rule over Vietnam, that would later influence a modern Vietnamese anti-Chinese and defensive identity. As the Han-dynasty (206 BC – 220 AD)¹⁴, who replaced the influential but short-lived Qin-dynasty, sought to expand towards the south with both military means but also via means of cultural assimilation, the Trung sisters assembled a large army, predominantly consisting of female fighters. They managed to recapture the capital of Nanyue and hold it for three years until the Han gathered an army too big to hold out against, and the Trung sisters were defeated in battle in 43 AD. In Chinese folklore however the 'heroic' Trung sisters passed into revered legend. The historian Hy Luong writes: "the only ritual sites condoned by the state other than those of official religions were linked to the worship of anti-foreign leaders like the Trung sisters" (2007: 441). The entire millennium of Chinese rule over Vietnam saw four such major rebellions, but for the sake of simplicity the selection of historical examples will have to remain concise and under-contextualized. In short: "Chinese dynastic records reveal an alternating pattern of political dependence on and semi-independence from northern power" (Holmgren 1980: 172).

During the Tang dynasty (618-907 AD) for example the Chinese made great efforts to integrate the Vietnamese as part of the southernmost province of China; the *Annam* protectorate (pinyin: *Ānnán Dūhùfǔ*), which translates to "Protectorate to Pacify the South". Generally, the Tang articulated a policy of "loose reins" towards its peripheral provinces. This meant that, apart from attaining varying degrees of freedom in terms of decision-making power, local leaders were sometimes allowed to choose their successors by way of inheritance. Because of this kind of

¹⁴ It is useful to remark at this point, that size, shape of leadership of the various Chinese dynasties, just like during the Han- or Tang- dynasty, varied a lot. Sometimes there would be more than one ruler, more than one empire even, and sometimes the rule of one emperor was interrupted by rebellions, or by internal or external resistance.

accommodation of local elites and the policy of loose reins, some Tang officials are remembered positively in Vietnamese folklore (cf. Ang 2013).

The entire millennium of Chinese control over the region around the Red River Delta was not merely marked by resistance against the northern invader, as some Vietnamese nationalist historians want to make it look like (cf. Hayton 2014: 12ff.). But Chinese control was usually accompanied by processes of cultural and technological transfer and assimilation. This process has also been called *Sinicization*, and shows for example in contemporary Vietnamese language: Even though the Vietnamese language does not derive from Chinese, some argue that up to 60 percent of Vietnamese vocabulary is obtained from Chinese (cf. Alves 1999).

Colonialism has been defined as “the conquest and control of other people’s land and goods [...]” (Loomba 2007: 2). That is why I think Jennifer Holmgren is at least partially right in calling her book the *Chinese Colonisation of Northern Vietnam* (1980). The Chinese did indeed control the Vietnamese land and goods. Whether this control is exerted via “loose reins” and cultural transfers, or with an “iron fist” is not relevant in the light of Loomba’s definition. There is a stark difference though between European and Chinese colonialism: European imperialist states were most often much smaller than the territories they occupied, which made it more difficult to control them, and their control manifested in more discriminatory and oppressive manner. Also, European colonialism was directed towards oversea-territories and they had to increasingly justify their colonial enterprises at home, because democratic values of formal equality became increasingly widespread. Most European colonial powers then answered this domestic reasoning for equality with the use of heavily racialized arguments; for example, in the case of the Spanish, who argued that Indians had no souls, or in the case of those arguing for the *white man’s burden*. The Chinese on the other hand were confident in their size and centrality of power, because they, as the biggest country, dealt with much smaller countries, such as Vietnam. Here, Womack argues “The traditional Chinese empire is perhaps the world’s best example of international leadership sustained primarily by soft power” (2006: 78).

Unequal Empires (968 - 1885)

The year 968 AD is well remembered in Vietnamese national memory as it marks the beginning of the first Vietnamese imperial dynasty of *Dai Viet* (968 – 1804 AD). The ruling dynasties in Vietnam would change over the course of the centuries, and the Chinese would occupy Dai Viet territory four times in total, but in the 10th century Vietnam gained a lasting political independence from China for the first time. The struggle against the northern neighbor is expressed in the following famous poem from the 10th century, called *Nam quốc sơn hà* (Mountains and Rivers of the Southern Country):

South King's mountain river in the South

Sông núi nước Nam vua Nam ở

Clearly the fate at heaven

Rành ràng định phận tại sách trời

Why does the enemy dare to invade

Cớ sao lũ giặc sang xâm phạm

They will be beaten and beaten

Chúng bay sẽ bị đánh tơi bời

- English translation by Google translate

- Vietnamese schoolbook translation by Trần Trọng Kim

The poem exists in a multitude of differing versions, but this one was widely used in Vietnamese textbooks (cf. Duong 2015). There are also public debates over the translations of *Mountains and Rivers of the Southern Country*. I do not intent to recount any of these debates, but the widespread acknowledgement of the poem per se is indicative to me of its influence on a *defensive* Vietnamese mentality. Ly Thuong Kiet (1019-1105) is now a national hero, who is famously remembered as having used the poem to boost morale against the second invasion of the Chinese Song-dynasty (960 – 1279 AD) in 1076. There are shrines worshipping Ly Thuong Kiet in Vietnam today, like the *Cơ Xá Linh Từ* - shrine in Hanoi. The poem shall serve here as one important historical example of Vietnamese identity formation, not only because it helps explain contemporary Vietnamese defensive identity, but also because it (along with other nationalist propaganda) was recited to voice anti-Chinese sentiment during the incident about the oil drilling platform Hai Yang Shi You 981 in 2014 (cf. Nguyen 2017).

On the one hand the Vietnamese society was not crushed by the pressure of subordination from its northern neighbors, and its resistance was important to form a defensive national identity. On the other hand, did aforementioned processes of cultural adaptation continue, as China was made a role model for Vietnamese culture and politics. The Vietnamese empire Dai Viet for example was not only modeled similarly to the Chinese empire, but it also respected the centrality of China as the main political actor in the region (cf. Vuong 1986).

After occupying Vietnam from 1407 – 1427 AD the Chinese Ming-dynasty (1368-1644 AD) accepted Vietnam as an independent tributary state, which finally stabilized relations in a state of mutual recognition.¹⁵ The Chinese imperial tributary system can be seen “as a *quid pro quo* trade of interests [...] Tributaries were willing to make tribute as by doing so they could gain access to trade with China” (Zhou 2011: 150). This now stabilized relation was about to last for centuries, with only minor incidents of conflict, until the technologically advanced and economically powerful European imperialist powers would change everything.

Fellow Victims of Imperialism

We have also learned, that China indeed colonized Vietnam, though it was a different type, a “softer” type of colonization than the European type. Interestingly though, in China’s contemporary foreign relations strategy with states from the economic periphery, such as in its recent economic engagement with African states, the Chinese typically emphasize a shared history of imperialist defeat (cf. Strauss 2009). I want to shed some light on this period of a shared history of being controlled by imperial powers, and see how this might have affected the dependency relation between China and Vietnam from the perspective of asymmetry.

The Opium War 1840 marked the beginning of drastic politico-economic changes for China, who for the first time had to be less concerned with their neighboring states, and more with world-politics and the threat of being controlled by foreign powers. Therefore, the Chinese Qing-dynasty (1636 – 1912 AD) fought alongside with the Vietnamese Nguyễn-dynasty (1802 – 1945

¹⁵ Vietnam had offensive bellicose ambitions as well, which is why, after stabilizing relations with the north, Vietnam expanded its own territory towards the south, somewhat initiating, for example, the downfall of the ancient kingdom of Champa (192 – 1832 AD) with the Cham-Vietnamese War in 1471 AD.

AD) in the Sino-French War (1884-1885), but were defeated, so the French split Vietnam into three parts. In 1911 the Qing-dynasty collapsed after the internal *Wuchang* uprising, but it collapsed primarily as a consequence of foreign interventions, such as the defeat in the Opium Wars or in the First Sino-Japanese War (1894-1895 AD). The center of Asian power had collapsed, and out of the disorder new anti-imperial movements like the Chinese nationalist *Guomindang* political party emerged. However, though China had to tolerate “*unequal treaties*” and unequal treaty ports, such as Hong Kong or Shanghai, China itself was not a European colony (cf. Callahan 2004).¹⁶ That is not say that, nonetheless, China and Vietnam were now united by the humiliating experience of subjugation. At the same it was an opportunity for Vietnamese and Chinese oppositional forces to become sympathetic partners in the struggle against European imperialism: “Vietnam helped China, and China helped Vietnam” (Womack 2006: 25). Still more important than the mutual cooperation on a military and economic level was, that the relationship between both countries, for the first time, was “distracted” by such pressure from the outside (ibid.: 142).

After reviewing more than 2000 years of history between China and Vietnam, I will now draw an interim conclusion from the perspective of asymmetry. In Pre-Imperial times the relationship can be characterized as “amorphous asymmetry” (ibid.: 103), which was situational in nature, with no national consciousnesses to speak of, because such national identities have not formed yet. As soon as Vietnamese territory was incorporated into Chinese-empires, the relationship was no more amorphous but “internal” (ibid.: 115). Vietnam was being integrated at the (internal) fringe of the Chinese empire, so that both a defensive consciousness developed, but also a strong cultural assimilation, a Sinicization, took place. From the viewpoint of asymmetry, Vietnam’s eventual independence did not occur because of a suppressed yearning for independence, but because of “the inevitable differences of perspective and interests between the part and the whole” (ibid.: 104). After independence the relationship developed to “mature” asymmetry

¹⁶ The first of these unequal treaties was the *Treaty of Nanking* in 1842; which ended the first Opium War with the United Kingdom (1839-1842).

(ibid.: 118), meaning that the tribute system formalized a patriarchal relationship; between the esteemed and superior center on the one hand and the submissive and inferior periphery on the other hand. The last major, pre-socialist stage of Sino-Vietnamese relations can be described as “distracted” asymmetry (ibid.:142); both countries being distracted by foreign imperialist powers, that were more powerful than both of them.

5.2. Historical Relationship from 1949 onward

Revolutionary Brotherhood (1949-1973)

When Mao Zedong proclaimed the People’s Republic of Beijing on October 1, 1949 in Beijing, an unprecedented new phase of intimacy between the communist parties of China and Vietnam was about to ensue. The relationship shifted from suffering at the hands of imperialist powers to the common goal of a global communist revolution. The Chinese communists shared freely in terms of knowledge and resources with their revolutionary comrades south of their border, and the Vietnamese in turn were grateful for Chinese Marxist comradeship (cf. Olsen: 2007). Vietnam was the frontline of ideologies, as communist forces, such as China and Russia, supported North Vietnam to combat anti-communist forces, such as the USA, but also weaker regional forces like Thailand, Laos, South Korea and the (Chinese) nationalists from Taiwan, who all fought on the side of South Vietnam. Especially after the controversial Gulf of Tonkin incident, because of which the USA engaged more directly in the Vietnam War, the Chinese strengthened support for the communist cause even further.¹⁷ It is historical irony though, that this support led to an increasing estrangement between China and North Vietnam. One reason for that is, that Vietnamese communism under Ho Chi Minh, prime minister and later president (1945- 1955, - 1969) of the (Northern) Democratic Republic of Vietnam, was primarily interested in Vietnamese independence and only secondarily interested in struggling for global communism. In addition to that, the self-imposed chaos and destruction from the Great Leap Forward (1958 -1962) and

¹⁷ The incident was “controversial”, because it is not at all clear, whether the US-American reports are correct in blaming the North-Vietnamese ships for the initial attack on the destroyer USS *Maddox*, or whether the reports were fabricated to justify a direct US-engagement in the war via the use of armed force (cf. Hanyok: 1998).

Mao's cultural revolution (1966 -1976) were viewed with shock by the Vietnamese.¹⁸ Also China pressed Vietnam to refuse aid from the Soviet Union as Sino-Russian relations deteriorated in the early 1960s (cf. Olsen 2007). For these reasons, the relationship became uncomfortably close; the Vietnamese were still relying on Chinese support against the US-American attacks, yet both countries separated in terms of political goals and alliances. It was then a particularly alienating moment in the Sino-Vietnamese relationship, when US-president Richard Nixon famously "went to China" to normalize Sino-American relations, culminating in the *Shanghai Communiqué* (1972) (cf. Womack 2006: 175ff.). The US withdrew their troops in defeat in 1973, and with the sacking of Saigon in 1975 the Socialist Republic of Vietnam would now control the entire country.

Hostility (1978-1990)

The victorious end of war did not lead to a convergence of interests; on the contrary. Vietnam was heavily reliant on aid from China, Russia and also billions in reparation from the US. Its main domestic ambitions were set to reinforce socialism and rebuild. In terms of foreign relations Vietnam was set to engage internationally with the renewed self-esteem of its newly found independence. The Chinese on the other hand urged Vietnam to disinvest in relations to the Soviet Union and demanded gratefulness for their help in the war. Vietnam gained full membership in the Soviet Union lead Comecon (Council for Mutual Economic Assistance) in 1978, one year before the Sino-Vietnamese border war was about to break out.

As interests continued to diverge, though both countries officially espoused communism, they started to antagonize each other, sure to be victorious in a potentially open confrontation. Tensions between China and Vietnam increased even further, also because the Vietnamese government oppressed the ethnically Chinese *Hoa*-minority in the mid to late 1970s. The Hoa were used by Vietnam's communist party as a kind of scapegoat; as an allegedly capitalist bourgeoisie class responsible for Vietnam's hardships on a socio-economic level, they were then draconically punished and persecuted (cf. Chua 2004).

¹⁸ For example, about 2% of China's population in the southern province Guaxi, close to Vietnam, starved to death as a consequence of the Great Leap Forward (Womack 2006: 178).

At the same time Vietnam reinforced its relations with the Soviet Union, whereas China joined up with the anti-Vietnamese Cambodian Khmer regime, afraid Vietnam might become a center of an emerging regional South-East Asian power-bloc. Ironically, after signing the *Treaty of Friendship and Cooperation* with the USSR in 1978, China's paramount leader Deng Xiaoping (1978-1989) called Vietnam the "Cuba of the East", and so China accused its smaller neighbor of "imperial dreams" (Zhang 2005: 853, 862).

Both sides were sure of victory, when in February to March 1979 the *Sino-Vietnamese War* would leave about 56,000 people dead and another 69,000 people wounded in only four weeks of battle (cf. Chen 1987). This brief border war can be seen as a reaction to Vietnam invading Khmer Cambodia (Democratic Kampuchea) three months earlier, and which pitted world powers like the Soviet Union (pro Vietnam) and China as well as the United Kingdom (pro Khmer) against each other in yet another proxy war.¹⁹ China's withdrawal from Vietnamese territory in March 1979 then marked the beginning of a 10 year "hostile stalemate" (Womack 2006: 212), with sporadic skirmishes breaking out in the region of the China-Vietnam-Cambodian borders throughout the 1980's.

Normalization (1991-1999)

No one country was interested to continue conflict, yet did neither China nor Vietnam want to give away in peace what was hard-earned in war. After decades of war both China and Vietnam were eager to normalize relations via increased diplomatic activity but also via economic exchange.

In 1991 the treaty of the *16 Word Guideline* formally recognized a peaceful relationship. Le Kha Phieu, Vietnamese Communist Party Secretary and Jiang Zemin, then President of the People's Republic of China declared in the 16 Word Guideline, that future Sino-Vietnamese relations should be: "long-term, stable, future-oriented, good-neighborly and all-round cooperative" (Womack 2006: 223). On a diplomatic level neither side opposed cardinal interests of the other:

¹⁹ The *Cambodian -Vietnamese War* lasted until September 1989, leaving hundreds of thousands of casualties on both sides. Again, it becomes obvious, how today it is barely possible to understand regional phenomena without the global context.

For example, Vietnam approved of the reversion of Hong Kong into Chinese administration 1997, while China did not dispute Vietnam's entrance into the Association of Southeast Asian Nations (ASEAN) in 1995. Simultaneously, China was both careful to improve bilateral relations with neighboring countries; Laos (1989), Indonesia and Singapore (1990), Brunei and Vietnam (1992) as well as South Korea (1992), and it became increasingly involved with multilateral regional organizations like the Asia Pacific Economic Cooperation (APEC), the Asia Regional Forum (ARF) or ASEAN (Cheng-Chwee 2005). At the same time, did both China and Vietnam support United Nations (UN) plans for conflict resolution in Cambodia, and both supported the post-war Cambodian government (cf. Womack 2006: 213ff.).

On a level of economic exchange, first China and Vietnam supported each other's admittance to the World Trade Organization (WTO). Second, did China's behavior during the *Asian Financial Crisis* (1997) improve its reputation throughout the region. China's decision not to devalue its own currency, the *Renminbi*, who could have, in doing so, profited in a situation of chaos, earned the Chinese a fair bit of prestige throughout South-East Asia as a reliable trading partner (cf. Kirton 1999).

Normalcy (1999-)

"A relationship is normal when both sides are confident that their basic interests will not be threatened and that differences of interests can be managed" (Womack 2006: 28). What began with the 16 Word Guideline (1991) continued with additional treaties to maintain peace at the border (1999) but also at sea (2000) (cf. Tonnesson 2003).

Trade was increasingly embedded within a relatively supportive environment of regional cooperatives, such as ASEAN or ARF. So, Vietnam was able to multiply and strengthen its regional ties, while simultaneously improving its relations with China. From the perspective of China, the improvement of ties with Vietnam can be seen as a successful 'good neighbor'- strategy of regional policy making (cf. Tung-Chieh et al. 2011). Here, the founding of the *Shanghai Cooperation Organization* (SCO) can be seen as an exemple of this strategy to initiate regional cooperation between powerful regional forces, like China, India and Russia whilst incorporating smaller regional forces in Central and South Asia.

The Sino-Vietnamese asymmetry of relationship may need to be relativized in the context of regional as well as global interconnectedness, but *Normalcy* does not mean ‘on equal footing’. China is still multiple times stronger in terms of size, military strength as well as economic prowess.²⁰ Hence the relationship between both countries is proportionally more of an opportunity, but equally more of a threat to Vietnam than to China.

Asymmetry theory itself is build around at least one basic hypotheses, which is, “that disparities in capacities create systemic differences in interests and perceptions between the stronger and weaker sides of the relationship” (Womack 2006: 17), and that “the relationship between China and Vietnam covers the entire spectrum of possible asymmetric relations” (ibid.: 114). The more recent past has shown us, how even in such a historically short time the Sino-Vietnamese relationship has changed drastically, especially when considering the intricate net of international relations, that emerged in the 20th century, which is still changing today. Competing ideologies and shifting alliances complicate(d) the situation.

It is by no means obvious, what this may tell us about politico-economic dependency. At the very least, the situation between China and Vietnam is not as “simple” as in the case of European colonialism in Latin American or in African. As I was able to show, European colonialism was a different, more racialized, systematically outward directed kind of colonialism than the Chinese “soft power” colonialism in its own political, cultural and geographic periphery. What also became clear is how a “defensive” national identity formed as a consequence of historical asymmetric relations in Vietnam. Another central insight of asymmetry theory in the context of this paper might be, that the perspectives of Chinese and Vietnamese people concerning dependency are heavily influenced by their self-perception in relation to the other country, which is contrastingly different. Here, asymmetry theory could be seen as a potential lesson in empathy for both countries.

6. Political Confucianism

²⁰ As we have seen though, these differences need to be relativized in the context of international treaties, alliances and institutions.

Confucianism is, as I have mentioned, relevant to understand China's (and Vietnam's) political and economic activity; Bertrand Russell said: "To understand an age or a nation, we must understand its philosophy" (Russel 1961: 41). Moreover, it will be necessary to sketch out some of the foundations of Confucianism to explain how informal business networks in China and Vietnam work, which will be a topic of the next chapter. I want to answer the following research question in this chapter: *How does Confucianism influence the politico-economic relation between China and Vietnam?*

Confucianism is, of course, a neologism, a Latinization from Chinese (Pinyin: *Kongfuzi*), meaning "the master arrives". There is no one singular Confucianism, as it has always mingled with other philosophies and ethical codes of conduct such as Buddhism and Daoism, which is why calling somebody or something "Confucian" is a modern label. Nonetheless, there are some tenets, central to what we call Confucianism, and which were created in China during the Warring States period (475 – 221 BCE); an age of bloodshed, disorder and chaos. At first, it was a "mirrors for princes" and Confucius set out to visit the courts of rulers to teach them the principles of good state governance. Accordingly, Confucianism is often seen as an answer to chaos and disorder. Its central message is to create and maintain *harmony* and *self-cultivation*.

Living in line with the Confucian principles of harmony and self-cultivation means to adhere to certain cultural and personal conventions. Central to this world view is to view every human as a deeply connected part of society. For this reason, self-cultivation should not happen in permanent monastic isolation, but only via social exchange. Each person should aspire to morally improve and orient oneself towards the following cardinal virtues: altruism (*rén*; this is the most important virtue), righteousness (*yì*), proper rite (*lǐ*)²¹, wisdom (*zhì*) and integrity (*xìn*). Whoever is living in accordance with these virtues on a personal level creates a ripple effect with positive

²¹ Proper rite in this sense is not about rites per se, but it denotes the proper formalized behavior, that is said to constitute a good person. It is essential not only in everyday personal encounters but especially with regards to proper state governance.

effects for his or her fellow human beings, society as whole and with this for the entire cosmos, bringing back order from chaos. The saying goes:

If I behave correctly, then the family is in harmony.

If the families are in harmony, then the village is as well.

If the villages are in harmony, then the province is as well.

If the provinces are in harmony, then the empire is as well.

If the empires are in harmony, then the cosmos is as well.

- *The Great Learning* - Zhu Xi (1130-1200)

6.1. Political and economic implications of Confucianism

A Confucian social order seeks harmony and peace, beginning with the individuum and spreading from there to the rest of society. A central question that has been debated by Confucian scholars over the centuries shows the inherent conflict in such a social order:

A father stole a sheep. His son saw him do it. What should the son do?

According to most Confucian scholars an upright son “does not disclose his father stealing a sheep” (cf. Huang 2017). Harmony in the family is so pivotal, that this family-harmony will radiate and positively affect society as whole, even though the rules of social conduct have been violated by the father. This is the central message from aforementioned saying from *The Great Learning*, one of the Four Books, and an important piece of Confucian literature. However, the *Great Learning* does *not* say, that relationship ties stay as strong as for example on the family level, as one moves further away: “The Confucian idea is that ties should be extended from intimates to others, but with diminishing intensity” (Bell 2010: 44). Even though, altruism is the highest value of Confucian moral conduct, the network of family, the responsibilities that bind family members are more important in a situation of conflict than responsibilities towards strangers. The principle of *dao* (or *tao*) is what balances these extremes of closest relations on the one hand and neglect on the other.²² Though the concept of “dao” is difficult to translate into English, it literally refers

²² Dao is a core principle not only of Confucianism, but also in other major East Asian philosophies like Buddhism and Daoism, though the exact meaning of Dao is very complex and changes within those schools of East-Asian philosophy. It is not possible to draw an exact line between meanings of Dao in these schools, because already the

to something like “the way” and means that there is always a middle way, a “golden” path to tread between the various extremes of Ying and Yang.

On a political level this means, that it is morally righteous to allocate more responsibilities, more resources for example, to one region rather than another. At the same time though, the Great Learning suggests to extent altruism to strangers whenever it is possible: “In practice, the Confucian ideal of Great Harmony would mean a foreign policy that promotes international peace while allowing for legitimate national self-interest, that can sometimes outweigh cosmopolitan ideals” (ibid.).

Sometimes Confucianism is depicted to favor authoritarian regimes, because hierarchy, filial piety and the nature of authority itself are central aspects of the philosophy. Tan (2010) however, argues that Confucius himself was “authoritative rather than authoritarian; and the social order to which he aspired is one based on excellence rather than on coercion.” It makes sense then to search for China’s contemporary authoritarianism not in Confucianism, but in *Legalism*, which is China’s other key political tradition (cf. Bell 2010; cf. Zhao 2015).²³

Legalists argue for a strong state that needs to impose severe punishments for legal transgressions. Moralistic concerns from Confucianism stand in the way of realizing harsh laws and are sometimes seen as naive. I think this also reflects a long debate between two strands within Confucianism itself. One of these strands was established by Mengzi (c. 372- c.289 BCE) who thought, the human nature is essentially good and only the social environment causes bad behavior to come to the fore. Whereas Xun Kuang, or Xunzi (c.310 – c 235 BCE) was convinced, that the human nature is essentially bad and a strong legal system is needed to somewhat contain the evil side within people. Periods where one or the other perception predominated in Chinese political and legal practice changed over time, and have been correlated with the degree of internal and external pressures. In times of higher pressure, or in other words in more “chaotic”

categorization into Buddhism, Daoism and Confucianism is a western concept. In practice, these schools of thought have often intermingled to varying degrees.

²³ One could make a case for real existing communism to promote authoritarian structures. While authoritarianism in contemporary China may be a function of both communism as well as legalism, the focus in this paragraph shall be to differentiate legalism from Confucianism because the history of discourse in this respect is more revealing.

times a more authoritarian state was demanded. Whereas in times of “order”, Mengzi’s view of the human nature was often favored and the power of the state diminished (cf. Van Norden 1992). Legalism is not a mere relict from the past though; for example, Mao justified his strengthening of the state with reference to Legalist ideas and compared himself to the legendary first and rather authoritarian Chinese emperor Qin Shi Huangdi (221 BCE – 206 BCE) (cf. Bell 36ff.).

I think, what this short confrontation between Confucianism and Legalism comes down to, is the question, which moral principles guide China’s foreign relations? In my eyes, Legalism cannot be a foundation of international cooperation for China today, because it completely disregards the interests of foreigners. Legalism was applicable in the time of autocratic autarky under Mao, but in today’s interconnected world, any such principles will be difficult to enforce. In contrast to that, Confucianism could potentially inform Chinese foreign policy as it views the world (the cosmos) as the ultimate unit of analysis. The highest ideal for a social order, according to Confucius, “refers to a golden age in which the world was shared in common by all” (Bell 2010: 39). At least according to the official rhetoric of President Xi Jinping this seems to be the course China is set to embark upon. The Olympic games motto 2008 in Beijing “One World, One Dream” indeed is a reference to Confucianism, and it has been interpreted as both a marker of “soft power” hegemony as well as a comeback of ancient Chinese philosophies, which were forbidden under Mao, not even half a century before (cf. Chen et. al 2012).

Of course, the situation is much more complex as will see in a later chapter, for example with the political implications of purchasing the Greek container port of Piraeus, and as we shall also see later analyzing China’s economic engagement in Vietnam empirically. Such an ideal of a golden age is as much a rhetoric gambit to gain international sympathy as it is a cosmopolitan utopian dream. At the very least though, it has an influence on the way the discussions about a shifting world order and international relations are conducted, at least when China is involved. It could simply be the case, that China’s political elite is essentially lying, when they refer to Confucian ideals. But, at the very least, according to psycholinguistics (as well as critical realism) the way we use language forms the way we think, and officially promoting Confucian values worldwide may have a positive impact on international relations in this manner.

It is interesting to note here, that the Beijing centered Hanban organization, connected to the CPC, has established more than 500 Confucius Institutes to promote Chinese language and culture worldwide. Considering that the first Confucius Institute was founded in 2004, the fast rate of these promotion centers “popping up” around the world is indicative to me, how China wants to depict itself as a Confucian nation, intent to spread first and foremost Confucian and not Communist values.

Furthermore, Confucianism is not only more widely used in official rhetoric. According to Daniel Bell (2010: 27ff.) classical works of Confucianism have returned to the mainstream of Chinese society, which shows in a multitude of ways: University classes on Confucianism tend to be increasingly well visited, whereas the corresponding numbers for courses in Marxist theory dwindle, if they are not made compulsory. The most widely attended business-coaching program is a combination of Confucian values and Western-style management methods. The curriculum for secondary schools now teaches the Confucian classics, so tens of millions of young Chinese become familiar with them again. Literature that promotes Confucian values such as Yu Dan’s self-help book *Confucius from the heart: Ancient wisdom for today’s world* (2009)²⁴ have become recent best-sellers in China.

As we have seen in the historical analysis Vietnam’s identity and culture are closely related to China. For this reason, Vietnamese philosophy as well is most often infused by foreign schools of thought like Confucianism and Daoism. For example, just as China’s legal system is based on meritocratic principles derived from the Confucian formula of self-cultivation, Vietnam as well used a Confucian court examination system for more than 800 years (1075 CE – 1913 CE). However, saying that the “Vietnamese are ‘Confucian’ is to oversimplify their social and personal realities. Yet significant parts of the Chinese Confucian orthodoxy were imported by the Vietnamese” (Young 1998: 137). In any case, Confucianism is still an important influence in Vietnamese society today. So, aside from historical congruences, Confucian values reflect in Vietnamese every day experience. For example, Vietnamese children today are typically brought

²⁴ Yu Dan is criticized however for a lack of depth, avoidance of controversial topics as well historical oversimplification to make her point (cf. Zhang 2014).

up in a manner that instills a sense of filial piety and obedience towards elder family members (cf. Nghia 2005: 76).

In my opinion it is difficult to say in how far Confucianism influences a relationship of dependency between China and Vietnam. At the very least however, the Confucian perspective helps to contextualize some aspects and similarities of the Chinese and Vietnamese political and social systems. Like for example the contemporary meritocratic elements of China's political system, which have their roots in the Confucian principle of self-cultivation, or social values of family-harmony. In China today it is unthinkable that an egomaniac, openly abusive and verifiably pathological liar like Donald Trump would assume the highest political office, because each political dignitary has to go through long selection processes (cf. Bell 2016). At the same time, I am unsure as to how to assess the "diminishing intensity" of social relations with "distance" to the closer social units like the family. It could be that the Chinese are actually planning to tread the "middle path" in an attempt to bring peace and prosperity to the world. But it could also be that autocratic, non-Confucian elements in China's foreign policy like in the South China Sea overweigh, and the "preaching" of Confucian values is a mere distraction from expansionist dreams. It is not at all obvious, how Confucianism exactly relates to the other ontologies in East Asian societies like capitalism and communism. But an analysis of Chinese as well as Vietnamese informal business networks in the next chapter will empirically showcase how capitalism and Confucianism combine in Chinese business practice.

7. Political Economy Made in China

Dependency Theory presupposes a capitalist environment in which *center – periphery* dichotomies play out. However, there is no such thing as *capitalism* per se. Capitalism is a construct, but a construct with very real implications for society. It matters how we define capitalism in this particular East-Asian context, which is why I want to find out: *What kind of capitalist environment is China facilitating and what role do Chinese financial institutions play to establish hegemony in that environment?*

As we are concerned with finding out, in how far Vietnam is dependent on China, and how this affects its overall development, it is also vital to understand, who controls and how some politico economic actors control a capitalist environment. Neo-Gramscianism will help to understand this, because it closes the gap of *hegemony of international institutions* within a capitalist system, that is recognized, but only vaguely analyzed by many dependency theorists.

As I have pointed out before, China's social structure is a mixture of communist, confucianist and consumerist aspects. None of these aspects however exist in isolation; they are interconnected. In what follows I will identify capitalist and Confucian structures in China's politico-economic system today and trace their origin in the past, to then find out what role Chinese financial institutions play, not only in the context of Sino-Vietnamese relations, but also in a broader context of regional hegemony.

6.1. Capitalism Made in China

It is necessary to define some central elements of capitalism in order to contrast this description with whatever is particular about *a Chinese capitalism* and what is not. In most basic terms of Marxist theory *capitalism* is a form of economic and social order, in which the maximization of profits, private property of means of production (German: Produktionsmittel) and sometimes open markets are typical features. Society divides into two classes; the Bourgeoisie that owns capital and thusly controls the means of production, and the Proletariat that owns no capital except its own labor power. Any surplus value generated in the production process will find its way into the metaphoric pockets of the Bourgeoisie, which again stabilizes the property situation, or in other words increases the suffering (German: Elend) of the proletarian masses. That again ultimately leads to a socialist revolution, *socialism* being the next level of societal organization after capitalism, according to Marxist theory.

I will outline some major differences between Marxism and Maoism, before showing what is particular about Chinese capitalism after that: First, in the eyes of Marx the *proletariat* meant the impoverished urban working class, while Mao's definition of proletariat meant the hundreds of millions of Chinese rural peasants. Second, Marx thought that the inner tension of advanced capitalism between the mode of production and the productive forces would ultimately lead to a proletarian socialist revolution. Though China was no advanced capitalist society in the mid-

19th century, Mao believed that it was time for a socialist revolution: “In recent times, the union of the powerful people, the aristocrats and the capitalists has reached an extreme, and in consequence the decadence of the state, the suffering of humanity, and the darkness of society have all reached an extreme” (Zedong 1972: 77). In his view, not only one socialist revolution needs to take place, but several revolutions, because new counterrevolutionary bourgeois classes emerge within socialist societies, until, after several revolutions, communism can be established. Another difference is that, while Marx considered economy to be the basis of society, and all else the superstructure, Mao perceived base and superstructure in a more dialectical way, because for example questions of politics and military, both superstructure, are often dominant during a revolution. Hence, other more superstructure related questions of ethnicity, identity, religious believes, sexuality and so on play a more important role in Mao’s thought.

After four years of Civil War against the Chinese Nationalists, the early People’s Republic of China (1949 – 1976) started to set out to realize Mao Zedong’s vision of a Marxist-communist China. The banking system became centralized and nationalized. Collectivist agricultural farming became widespread. Most people that owned capital, such as small farmers working their own land, were widely dispossessed and publicly shamed. Also *Laogai* - camps were set up to “reform through labor”, meaning that ideologically critical people and minor offense criminals were forced to work and often die under harsh conditions in an attempt to re-educate the Chinese population.

The first five-year-plan was initiated in 1953, and it set common goals for the Chinese economy; with five-year strategies continuing to be implemented until today. The first five-year-plan was rather successful in terms of economic growth, industrial production and incomes rising steadily. But by 1958, at the beginning of the *Great Leap Forward* private property was almost entirely abolished, and in 1959 an estimated number of thirty six-million people died of starvation in China as a result of massive (mis-)planning (cf. Jisheng 2012).²⁵

²⁵ China under Mao also wanted to be as autarkic as possible, for example, in terms of resources. Though China did trade with other states it was paramount to use as many natural resources from China as possible. One such policy-

Only after Mao's death in 1976 could his former political rival Deng Xiaoping gain power (1978 – 1989) to initiate capitalist reforms. His so-called *4 Modernizations* first opened up China economically for inward investments. The 4 modernizations were primarily aimed to strengthen the four sectors of agriculture, military, industry and science, in an attempt to increase productivity and to create a consumer society (cf. Wong 2007). One new idea was, for example, that instead of having a parity of pay, workers should be paid according to their productivity. Deng Xiaoping famously said: "Let some people [regions] get rich first" (ibid.: 26), pointing towards the transition from a focus on class struggle to economic growth. However, it was only until 1999 that the *Going Out* (pinyin: Zǒuchūqū Zhànlüè) policy enabled Chinese enterprises to invest beyond China's borders, which they increasingly do. The Going Out policy helped Chinese companies to invest abroad; it lowered export barriers, for example via tax reductions for outward investment, it sought to diversify the product spectrum and generally supported outward investment through state guidance. According to Peter Nolan (2012) though China's economic reach is still relatively weak and its expansion faces some major obstacles. Despite "going out", "Chinese firms have been conspicuously absent from major international mergers and acquisitions [... and] the efforts of China's large firms to acquire businesses in the high-income countries have mostly ended in failure" (ibid.: 98f.).

In 1979 Coca Cola was one of the first Western capitalist companies to be allowed to sell their product to tourists visiting the country. In an attempt to reach out to Chinese consumers, however Coca Cola started an illegal street advertisement campaign, and was rebuffed with a one-year ban from the Chinese market (cf. Kraus 2018). To make a long story short, one year later the order was revoked, and in 2015 Coca Cola had the biggest market share for beverages on the Chinese market, with a share of 14% (Statista 2015). Chinese capitalism, or Sino-capitalism is very much distinct from anything Marx had in mind, and it differs from an Anglo-American capitalism as well, though they are now deeply interconnected as part of a globalized economy. According

implementation urged Chinese peasants to smelter steel in their own backyards with severe implications with regards to health and quality of the steel (cf. Wemheuer 2010).

to Christopher McNally (2012) Sino-capitalism is a *hybrid* form of capitalism: It is an emergent form of capitalism, “producing a dynamic mix of mutual dependence, symbiosis, competition, and friction with the still dominant Anglo-American model of capitalism” (ibid.: 769). Sino-capitalism relies much more on state guidance than Western center countries (see Coca Cola ban), but also on informal business networks, making it more flexible than the Anglo-American system (ibid.: 750f.). In addition, the Chinese state keeps control over key sectors of its economy, such as its extractive industries or the banking sector. For example, China’s domestic banking is dominated by the “Big Four” banks, owned to a great extent by the central government.²⁶ However, these banks themselves compete with each other, and while management posts are assigned by the CPC, the choice of management is made on the basis of economic reasoning. Furthermore, Sino-capitalism is less trusting in unregulated markets and more trusting in centralized state rule as well as “social norms of reciprocity, stability, and hierarchy” (ibid.: 757); Confucian values again being integral to these norms.

In *Adam Smith in Beijing* (2007) Giovanni Arrighi finds that the possibility of China’s “peaceful ascent” (277) to become a global superpower is due to both internal and external developments. In his view, the Iraq war severely damaged US-American economic, military and political capabilities, making China a profiteer of the second Iraq War. With the goal of establishing a harmonious global world order, “China will be in a position to contribute decisively to the emergence of a commonwealth of civilizations truly respectful of cultural differences” (ibid.: 389). In addition, China cannot go the same way of domination and decadence like the US did, because resources are now scarcer and because the world-system changed drastically since the US assumed power.

Slavoj Žižek argues that, while “communism has failed”, the emerging form of Sino-authoritarian-capitalism may be the most effective form of capitalism in the present day (Žižek 2019). In his view “Modern-day China is not an oriental-despotic distortion of capitalism, but rather the repetition of capitalism’s development in Europe itself” (Žižek 2007). He sees the European social

²⁶ The “Big Four” are the (1) Industrial and Commercial Bank of China, (2) Bank of China, (3) China Construction Bank and (4) Agricultural Bank of China.

accomplishments such as (relatively) cheap social welfare systems, labor unions, abolished child labor or (relatively) free public education not as “natural fruits of capitalism”, but as painfully earned consequences of popular struggle (ibid.). The last major attempt of such struggle for democratic reforms in China were the 1989 Tiananmen Square protests, that were brutally repressed by the Chinese government, with executive forces shooting randomly at the masses of protestors and killing at least several hundreds of protestors (cf. Vukovich 2009).

However, in present-day-China the CPC allows for a certain degree of “critical thinking” in order to boost innovation, which for example shows in the wide range of “Western-style liberal arts programs” offered at Chinese universities (Perry 2015: 16). Chinese democracy movements have been smaller in scale since Tiananmen, and, even though protestors are still often arrested, the state now tolerates smaller forms of protest, because slight forms of political liberalization are seen as an important component of political stability (ibid.). Some argue that present day China is just what Zizek termed a more “effective” form of (authoritarian) capitalism, just because it allows for “—protests, NGOs, social media, a rising middle class— [which] are now more often portrayed as operating within state-controlled constraints, thereby contributing to system stability rather than to regime change” (ibid.: 2).



Fig. 4 Mao holding a Coke (Silk Initiative 2015)

Mao Zedong holding a Coke is, of course, an anachronism. Mao, who regarded the drink as a “Bourgeois concoction” (Buckley et. al.: 400), nationalized all Chinese Coca-Cola factories in 1949. Since opening up to foreign investors though, Coca-Cola invested heavily and successfully in new products, because the original Coke was perceived to taste like traditional Chinese medicine,

when served warm and without ice (ibid.). The 2018 World Investment Report from UNCTAD, ranks China the second most attractive country for foreign investment, second only to the USA (cf. Santander 2019). According to statements released by the Chinese Ministry of Commerce in 2018, more than 35.0000 foreign companies were set up in China in 2017 alone. In many situations however, it is not easy to invest in Chinese companies. For example, Chinese based Huawei, the second biggest smartphone producer in the world, is a private company, but it is fully owned by company employees. Huawei cannot be traded and only employees can invest (cf. Moskowitz 2019). The Chinese government allows for private companies and private investment, yet the field of private actors is diverse (see Huawei), and the government also controls many parts of the economy via its state-owned enterprises.

How does contemporary China deal with Mao's legacy, and its own communist roots? The official position of the CPC is that Mao's politics were "70% good and 30%," without detailing, what exactly is meant by this judgement. Considering the strong influence of Capitalism (and Confucianism) it is not unreasonable to ask: Why is China still officially a communist country? I think there are two major reasons for China's continuous communist self-identification. Firstly, there are still remnants from the Mao era, such as the five-year-plans or the full government control over land rights. Secondly, and arguably more importantly, the ruling elite needs an ideology to stay in power.

How do ideologies come together in present day China? President and general secretary Xi Jinping aims for China to become "a strong, democratic, civilized, harmonious and modern socialist country" by the year 2049, the 100th anniversary of the People's Republic of China. However, this short statement already reveals how China's "modern socialism" is *not* going to be like the one envisioned by Marx. To distill just two reasons for that divergence: First, it is not going to be a socialist revolution of the proletarian masses, heralding the beginning of the next societal system, but something more like a carefully planned evolution (see five-year-plans).²⁷

²⁷ The term "planned economy" (German: Planwirtschaft) in the sense of having a common social goal (five-year-plans) is *not* what Marx envisioned. Instead what should be planned was social *production* according to a certain

And second, Xi Jinping also envisions a “harmonious” society, which is a Confucian concept. The directive paper to orchestrate the 13th five-year-plan (2016-2020) was issued by the central committee of the Communist Party of China (CPC) in 2013. With the 13th five-year-plan “communist” China seeks to promote (amongst others): “innovation-led growth; [...] green development [...] finance and State-owned Enterprise-(SOE) reform [and...] opening up to the world” (Aglietta and Bai 2016: 1, 6). It becomes clear how Xi Jinping’s modern socialist society is heavily infused with capitalist concepts like “growth”, “development” and “open-” markets.²⁸ Ideology will be a central topic in chapter 7.

6.2. Informal Business Networks: *guanxi* and *quan he*

In both China as well as in Vietnam informal business networks are an essential feature of the economic system (cf. Nolan et. al. 2016). Accordingly, this part of the paper can be seen as a continuation and supplementation of my previous investigation into the nature of the Chinese capitalist system. China’s informal business networks are called *guanxi* and the Vietnamese counterpart to *guanxi* is called *quan he*. I will outline, how *guanxi* works and how it relates to *quan he*, because this will help to better understand Chinese capitalism and to see how it relates to Vietnam in terms of economic exchange. In addition to that, the interplay between capitalist business practice and Confucian ethical values will become much clearer.

Guanxi literally means “connections” or “relationships”. It has been compared to the Western counterpart of interpersonal or social relationships; in a business context it is a dynamic system of social relations (cf. Wang and Rowley 2017). It is widely debated in how far *guanxi* prevails in the face of capitalist societies and the term *guanxi capitalism* has been termed to make sense of this emerging phenomenon (cf. Kwok and Tsui 2013). If one wants to understand Chinese capitalism and which social groups benefit from a division of labor nationally and transnationally,

plan, in which production processes should connect in an organized manner (cf. Pfreundschuh 2018). The Chinese five-year-plans are not how Marx envisioned a socialist society.

²⁸ As we will see further below, China’s opening up to the world is not something that was started by Xi Jinping, though he now envisions the next phase of China’s economic and political internationalization as part of the *One Belt One Road Initiative* (OBOR).

understanding the practice of guanxi is central, because it is the “modus operandi” of Chinese business culture (Wang and Rowley 2017: 95).

The functioning of guanxi is predicated in some part on Confucian codes of conduct, especially when it comes to close human relationships, which is why guanxi partners work together to generate capital embedded within a deviant form of Confucian ethic. Guanxi partners typically belong to influential men at all levels of the social and political order. It is a “face-to-face” and “face-for-face” (ibid.) type of social relationship. There are several graphic ways to illustrate how guanxi work and how a formal system is mediated via informal relations; one such way is to see them as a “framework of Network of Guanxi Circles” (ibid.: 94). On the lowest level a single guanxi holder is connected to other guanxi holders in a so called guanxi knot, where guanxi holders are connected from the lowest tier to highest, meaning from the lowest level of influence to the highest. A guanxi web then describes a dynamic system in which several guanxi knots continually communicate and interact with each other (see Fig. 2). The structure of this system of interactions follows formal principles, meaning that it is an interplay between formal institutions, for example political institutions, but on the individual level, interactions between guanxi holders are informal.

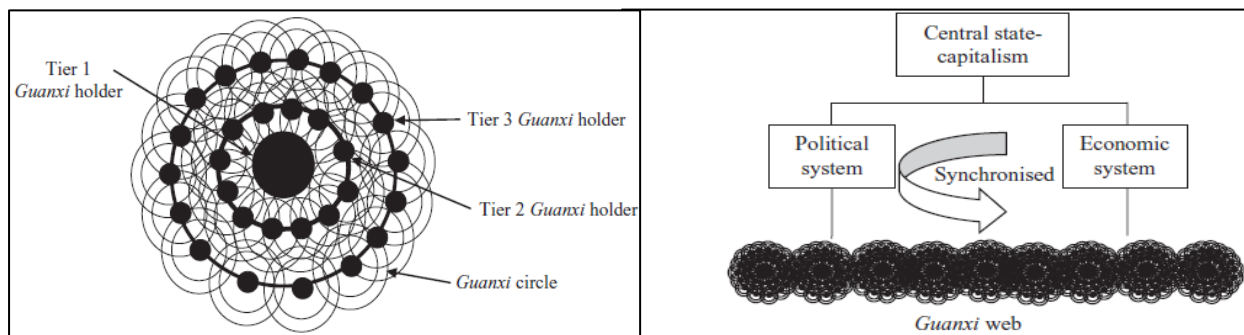


Fig. 5: *Guanxi capitalism: knot and web* (Wang and Rowley: 111f.)

Guanxi capitalism has been suggested to serve a bridging function, combining China’s authoritarian aspects of state control with its capitalist practices. Because of this, some view China’s guanxi capitalism as a new and more effective form of capitalism, which might help to explain Zizek’s aforementioned assertion of the “effectiveness” of China’s authoritarian

capitalism. At the same time *guanxi* circles have been scholastically acknowledged as having a dark side; meaning corruption and bribery are widespread (cf. Tong 2014).

Guanxi has implications for international trade and thus for trade with Vietnam as well. China's trade within its borders is, as we have seen, highly personalized, but *guanxi* also extends to international trade: "Chinese traders came to rely on personal trust or *xinyong* [transl.: personal trust], preferring to work with individuals whom they trusted and seeking to bring new acquaintances within their personal realm of familiarity" (ibid.: 57). As I have mentioned, in both *guanxi* and *quan he* corruption and bribery are widespread; greed is a huge problem (ibid.). Typically, gifts have to be made to establish and maintain the relation, and often there is no balance on the giving and the receiving end. But to gain access to Chinese markets from a Vietnamese perspective, and to gain access to Vietnamese markets from a Chinese perspective, both have to engage in these informal business networks. The consequence is that, when Chinese and Vietnamese traders interact on an informal business level "cross-border stereotyping" and "money-cheating" are often part of the interaction (Chan 2013: 58). This is another factor explaining today's antipathy towards Chinese people in Vietnam. Both are very much dependent on one another, yet the relation is dreaded by both sides. One could argue, that the Vietnamese traders are at a structural disadvantage because there are just many more Chinese participants in *guanxi* than Vietnamese participants in *quan he*, and so the level of *guanxi* influence is greater than that of *quan he*. This observation is line with the assumption of asymmetry theory, stating that "disparities in capacities create systemic differences in interests and perceptions between the stronger and weaker sides of the relationship" (Womack 2010: 17).

The informal business network perspective indicates how dependence and trust/distrust influence economic interactions in Sino-Vietnamese borderland trade. *Guanxi* networks are a part of a cultural norm that serves to maintain power for the inner business circles, illustrating the entanglement of economic and political power. However, I think cultural norms are just one element of power. Another central element of power is ideology, and it is vital to understand how the CPC maintains power and creates domestic as well as international dependencies via ideology. A Neo-Gramscian perspective will help to illustrate that interplay of ideology, hegemony and (financial) institutions in the next chapter.

7. China and the International Financial System

In neo-Gramscian theory transnational financial institutions like the World Bank, the International Monetary Fund (IMF) or the World Trade Organization (WTO), as well as multinational corporations like Apple (no. 1), Alphabet (no. 2), Microsoft (no.3) whose headquarters are all in the USA, are the most important players on the capitalist world stage; China Mobile (no. 10) is the first biggest Chinese corporation on that list, compiled by the total market value of outstanding shares (cf. Gray 2017). When viewed from a neo-Gramscian perspective these western financial actors (among others) constitute a transnational historic bloc and exercise international hegemony. According to some Chinese scholars, and rather ironically when considering China's own capitalist agenda, these institutions "are nothing but neo-liberalism dressed up as idealism" (Pang 2013: 13). However, it is not the case, that China 'simply' assumes a counterhegemonic position to challenge that "neo-liberal" historic bloc. The situation is much more complex than a simple 'black vs. white' or 'hegemon vs. counter hegemon' pattern.²⁹ Instead, China, as a first step to changing the system was increasingly able to strategically position itself as a *member* within these transnational financial institutions (cf. Pang et. al. 2013). There are however limits to that participatory approach to regional as well as global governance, so China wishes to "increase the representation of developing countries, with the goal of shaping a new international financial order" (ibid.: 28).

The Chinese desire to play a more dominant, or rather a more hegemonial role on the economic world stage may be best understood by way of example(s). First, I will contextualize China's economic-political aspirations, in terms of cultural hegemony, with its mega-infrastructure

²⁹ Andrea Komlosy (cf. 2016) argues that we are not experiencing the inevitable collapse of the global capitalist order, and neither are we experiencing the beginning of another imperialist US-dominated era. Instead there are several things that could happen; like the USA trying to hold on to their dominant position while aspirants from Europe and East Asia emerge to challenge US-domination, or an alliance of BRICS countries might emerge to form a new center dominating capitalist cycles of accumulation in the future. The principle of subsidiarity might also play an important role, as decision-making processes translocate to smaller units, like from national to regional, or regional to local.

project, the One Belt One Road – Initiative (OBOR). Then I will explore the implications of the Asian Infrastructure Investment Bank (AIIB), to understand which role emerging financial institution play in the OBOR context. Lastly, it is important to differentiate between persuasive means to establish hegemony and autocratic means to establish hegemony, because the Chinese currently apply both strategies to establish control.

7.1. China's Asian Dream: The One Belt One Road Initiative

Only 6 months after Xi Jinping became the 7th president of the People's Republic of China in March 2013, he unveiled one of the most ambitious infrastructure projects in Chinese history in a speech at the Nazarbayev University in Kazakhstan. It is commonly referred to as the *New Silk Road*, but officially termed the *Belt and Road Initiative*, or *One Belt One Road* (OBOR). In short, the Chinese depict it as a vision of Eurasian as well as African connectivity via economic trade routes on land and water (see figure 2 *Official Map of OBOR*).



„Actual routes may differ and may also extend to encompass other territories as the project develops.“

Fig. 6: Official Map of OBOR (cf. Hong 2016)

Starting with the aforementioned *Going Out* Policy in 1999, China finally turned away from Deng Xiaoping's strategy "to bide our time, keep a low profile, never take the lead, and make a contribution", towards a strategy of *outward* investment. Since then Chinese enterprises were not only allowed to invest beyond China's borders, but they were also given strategic as well as financial help to do so; for example, in the form of easy access to credits or insurances. OBOR seems to be emblematic for this turning away from Deng Xiaoping's restrained Chinese self-perception, towards becoming an ambitious as well as potent global player on all levels of international exchange. Xi Jinping is careful to emphasize "shared growth" and "shared aspiration" as the foundation for economic cooperation; of a "win-win" situation. This is at least

what China's highest political official declared in his speech at the World Economic Forum in Davos 2018 (cf. Huang 2018).

The Beijing based international English-language news channel *China Global Television Network* (CGTN) published an advertisement for OBOR, starring Xi Jinping as the first-person narrator (CGTN 2017). In the following paragraph I will analyze this ad, because it reveals how China uses persuasive means in its attempt to establish hegemony:

"While visiting Kazakhstan and Indonesia in 2013, I proposed jointly building the Silk Road Economic Belt and the 21st Century Maritime Silk Road respectively. Shaanxi, my home province, is situated at the starting point of the ancient Silk Road. Standing here and looking back on history, I feel I can hear the sound of camel bells ringing in the mountains and see the plumes of smoke rising over the desert. This all feels so familiar.

[narrative break: textual content: "War, Famine, Wealth Gap, Economic Recession"; also, a newspaper titling "U.S. to make Take Over AIG in \$85 Billion Bailout. Central Banks Inject Cash as Credit Dies is shown]

"Today's world is filled with uncertainties. People have hopes for the future, but at the same time, feel perplexed."

[narrative break: textual content: "Some lands once prosperous and bustling are now synonymous with difficulty, conflict and crisis"]

"What has become of the world? What should we do? The whole world is pondering over these questions, and I am thinking of them all the time. [narrative break: epic music and pictures]

"I proposed the Belt and Road Initiative in the hope that with a focus on connectivity, the free and convenient flow of all elements of production will be encouraged, multidimensional cooperation platforms developed, and mutual gains and shared development achieved."

[narrative break: textual content: "People-to-people connectivity"]

"The Belt and Road Initiative draws inspirations from the ancient Silk Road, and aims to help realize the shared dream of people worldwide for peace and development. Shining with the wisdom from the East, it is a plan that China offers the world for seeking common prosperity and development. The Belt and Road Initiative is based on principles of extensive consultation, joint contribution and shared benefits. It is not exclusive, but open and inclusive. The initiative will not be a solo for China, but a chorus of all countries along the routes."

[narrative break: Music and pictures depicting showcase projects in Uzbekistan Sri Lanka, Malaysia, Greece, Russia, the Maldives, Belarus, Britain, Ethiopia-Djibouti, Kazakhstan, Fiji, Pakistan]

"For more than three years, over 100 countries and international organizations have responded positively and offered support for the initiative. The "friend circle" of the initiative has kept widening. [narrative break] A great cause should be pursued for a common good. Let us unite more closely, join hands in forging new partnerships characterized by win-win cooperation and build a community of shared future for mankind. History is made by the brave. Let us show confidence, take action and forge ahead, hand in hand." (CGTN 2017)

We can infer a lot about cultural hegemony from this beautiful piece of propaganda. First of all, it is easily accessible for everyone interested in OBOR via Youtube. Without extensive background

knowledge this advertisement may be convincing, in that it portrays China (and Xi Jinping) as the harbingers of a positive change. It encourages people and nations to join the “friend circle” for a “great cause”. The “battle” between the US-lead historic bloc and something that can be seen as the Chinese counterhegemony, in neo-Gramscian terminology, becomes very obvious in this advertisement. There is a subtle dismissal of US-participation, when Xi speaks about “all countries along the routes”. The USA may still be world hegemon, at least in terms of military power, but geographically the USA are nowhere near “the routes”. The dismissal of the US-lead world order becomes especially obvious, when the text on the screen says “Some lands once prosperous and bustling are now synonymous with difficulty, conflict and crisis”. The simultaneous flashing in of a newspaper front page headline about the US paying a “\$85 bailout” for the American International Group (AIG) clearly implies, that choosing China is a choice of “wisdom”, instead of choosing the USA, which is a choice of “War, Famine, Wealth Gap, Economic Recession”.

Interestingly, the advertisement explicitly mentions “Greece: Piraeus Port” in one of the narrative breaks filled with epic music and pictures that serve to underscore Xi Jinping’s narration. Implications of that “win-win” promise however show clearly in the entanglement of economics and politics, as can be seen in this example of the Greek container port of Piraeus. Here, the Chinese state-enterprise Cosco purchased 51% of the port’s interests, and in doing so secured one of the fastest growing container ports worldwide; a hub for European container traffic. With the purchase of the port, China also gained political loyalty from Greece: The Greek government under Alexis Tsipras was the only European country to veto against a statement from the UN-Human Rights Council about the condemnation of human rights abuses in China (summer 2017), which makes it clear that China’s economic cooperations can only be understood in relation to the political level.

Some argue, that OBOR is China’s rendition of the Marshall Plan, through which the USA gave economic assistance to Western European nations to rebuild after World War II and preventing the spread of communis (cf. Habova 2015). However, according to Habova the differences between OBOR and the Marshall Plan are bigger than the similarities. So, interpreting Asian development today against the background of Western culture and history is not a valid thing to do: The differences are: “postwar/globalized world; containment/engagement of third countries;

political conditionality/diversity of social systems and development strategies; alliances/partnership relations, among others” (ibid.: 67). In short, China’s aspirations by far surpass those of the Marshall Plan.

Others again say, that OBOR might be a mere rhetoric trick by Xi Jinping, because building a “Eurasian land bridge” is a long-term project already tackled by the Asian Development Bank (ADB) for decades (cf. Miller 2017). But I think the former argument about massive investment, surpassing the Marshall Plan, is closer to the truth. This is because China is not only interested in outward investment, but via OBOR China is also interested in “stimulating growth in the country’s underdeveloped hinterland”, its own western regions, by “synergizing with the development strategies of neighboring countries” (Hong 2018: 29).

Napoleon Bonaparte once said: “Let her sleep, for when she wakes, she will shake the world”. While some just mentioned views may be closer to reality than others, I think it is safe to say that OBOR can be viewed within the context of a more general “waking up” of China’s outward activities and its repositioning within a global world order. This again has consequences in terms of hegemony and dependency.

The official Vietnamese rhetoric towards OBOR is predominantly positive, at the same it is reluctant to apply for loans for it (cf. Hiep 2018). Hiep finds three reasons for this behavior: First, the mistrust in its northern neighbor is grounded in the context of the South China conflict. I think this is correct, as we will discuss as part of the next chapter. But it is an incomplete observation, as we have seen from historical evidence how Vietnam developed a mistrusting attitude in the course of changing relationships of asymmetry. Secondly, he argues that the conditions for Chinese loans are unattractive. Lastly, he points out, that Vietnam, as part of a globalized world, has other options, which is true and these options will be carefully analyzed as part of a later chapter.

7.2. Is China constructing a Sino-Centric Asian Financial System?

To finance OBOR and other infrastructure projects in Asia, but as I argue, also to establish Chinese hegemony, the Asian Infrastructure Investment Bank (AIIB) was proposed by Xi Jinping in 2013, and it started operating by the end of 2015. In western media the AIIB was first framed as a

Chinese challenge to the USA (and Japan), as China became increasingly dissatisfied with the slow reform of the existing Multilateral Development Banks (MDBs) (cf. Callaghan and Hubbard 2016). Nonetheless, many European countries ratified membership to the AIIB, such as Europe's economic powerhouses Germany, France and the UK, but also many Asian countries, even some countries that could be considered as not favorably inclined towards China ratified, such as the Philippines as well as Vietnam; 69 countries in total. In September 2018 Vietnam's Deputy Prime Minister Trinh Dinh Dung pledged "to be a reliable and prestigious member of the multilateral development bank [AIIB]". Here, Prime Minister Dung expresses a strong demand for infrastructure investment, such as airports and expressways, that is currently met primarily by private economic interests (Das 2018), who often shy away from economic risk and so do not invest enough into Vietnamese infrastructure.

In 2017 the Asian Development Bank (ADB) released a report, estimating that East and South-East Asia would need another \$26 trillion of infrastructure investment until 2030 to meet the regions needs for economic development (cf. Churchill 2017). Not even the ADB and the World Bank combined have the financial capacities to meet such a massive demand, while private investors are reluctant to invest in infrastructure project with high-risk and time intensive construction cycles (cf. Yu 2017). The founding of the AIIB by the Chinese needs to be seen against the backdrop of these infrastructure demands. Yet, even if the "old" financial hegemons, the historic bloc in Gramscian terminology, had those financial capacities, China's influence in this old historic block is weak. For example, China's voting power in the ADB (% of total) as of December 2016 was at 5.454%, whereas Japan and the USA each hold a voting power of 12.784% (ADB Report 2016). Apart from the simple fact, that massive infrastructure investments are needed, the obvious dominance of Japan and the USA in the ADB is one major reason for China's push to create the AIIB. According to Yu (2016: 1) "the AIIB will serve as the spearhead of China's OBOR initiatives." China's AIIB voting share is at over 26%, and as it makes a capital contribution of \$29.8 billion, China is both the largest investor and shareholder in the AIIB. Even more importantly, the AIIB articles of agreement state that a 75% majority is required to revise said articles, in order to regulate for example, the share in capital of regional members, to increase or

decrease the bank's capital base, or to make other important amendments: "China has the de facto veto power in the bank" (ibid.: 8).

It becomes obviously important to contextualize China's positioning as the emerging main regional financial actor within the context of a changing multi-polar world order, such as world system theorists propose. The AIIB may advance Asian infrastructure projects and create regional dependencies and connections via financial hegemony, but the predominant history bloc, and in this context I mean the entirety of US-lead Western world hegemony, has a great influence on the formation of emerging instruments of institutional hegemony. In President Obama's annual address (2015) he said: "But as we speak, China wants to write the rules for the world's fastest-growing region. That would put our workers and our businesses at a disadvantage. Why would we let that happen? We should write those rules." Obama writes a rather pessimistic outlook for American workers, should China "write the rules". Trump uses a similar rhetoric today to describe the situation for US-business having an "unfair disadvantage" when asked about the China-US-trade dispute. Overall, Western scholars disagree over the implications of the AIIB for the global world order. While some argue, that the AIIB is a threat to global hegemony, others point out the potential benefits for peace and regional as well as global cooperation (cf. Beeson 2016). In Beijing, the foreign ministry officially announced "we should not hold the "zero-sum game" mentality of the Cold War mentality [google transl. from Chinese]" (Chunying 2016). This announcement is perfectly in line with China's promise that the AIIB will work as a "complementary to the existing regional and international financial system" (Hong 2016: 12).

Competition and cooperation will markedly influence infrastructure investment in Asia. For example, Japan did not ratify AIIB membership. Instead the Japanese government announced its own plan for "Partnership for Quality Infrastructure Investment for Asia's Future" (cf. ibid.), and in doing so, signals for Sino-Japanese competition. This is obviously to be expected in a capitalist environment, where Japan is still the biggest investor in Asia. From 2003 to 2017 Foreign Direct Investment (FDI) into South-East Asia was as follows: (\$ in billions) Japan \$220, South-East Asian states combined \$193, the USA \$182, the EU \$145, China \$123, South Korea \$98 (cf. Reed and Romei 2018). However, while investment into South-East Asia has generally been rising, not only the Chinese but also Japanese officials have stressed a cooperative mentality. Sino-Japanese

relations are at least as complex and as apprehensive as Sino-Vietnamese relations, especially against the background of Japan's belligerence during World War II, as well as Japan's ongoing intimacy with the USA. Yet Japan's Prime Minister Shinzo Abe stressed in a relatively recent speech: " 'Japan is ready to extend cooperation' with China's Belt and Road Initiative" (East Asia Forum 2017). Just as much as Beijing's and Tokyo's political officials call for both competition and cooperation, the ADB and AIIB also cooperated with each other. For example, in 2016 both banks co-financed transport infrastructure projects in Pakistan, as well as a natural gas extraction project in Bangladesh, indicating potential for further cooperation (cf. Hong 2018).

As I see it, the perspective of neo-Gramscian theory does not paint a clear picture here. On the one hand does China indeed control the AIIB to some degree, as it has a strong veto power, which might indicate a certain challenge to the "historic bloc" with respect to financial institutions. At the same time however, the AIIB is heavily reliant on the cooperation with other countries, restraining China's potentially emerging hegemony over financial institutions in Asia. The Chinese government is aware of this, as president Xi Jinping concedes: "The AIIB is an international financial institution whose rules of operation are decided by its members through consultation, not by China alone" (Hong 2016: 18).

7.3. Conflicts over the South China Sea and ASEAN

Another perspective to understand China's politico-economic aspirations and how these may affect Vietnam is through the lens of the regional intergovernmental organization ASEAN. While ASEAN was originally founded to stimulate growth and defend against communism, its members now posit a somewhat critical stance towards China. This is because of two simultaneous developments in the relation between China and South-East Asian states. For one thing, a long-term goal of ASEAN countries is to increase regional connectivity. Here, Chinese FDI into ASEAN countries as well as overall trade activity with South-East Asia does indeed increase (cf. Hong 2018). However, suspicion of 'China's real motives' increases as well, which is particularly due to China's posturing in the South China Sea (SCS).

As we have seen, the securement of maritime trading routes is an important national interest for China. China's militarization of contested areas in the SCS however leads to political

estrangements with neighboring countries. In July 2016 the Permanent Court of Arbitration (PCA) ruled in favor of the Philippines, who submitted a case to arbitration, that the Chinese “Nine-Dash-Line” (see Figure 3) in the SCS is illegitimate according to the United Nations Convention on the Law of the Sea (UNCLOS). Vietnam supported the Philippines claim, rejecting China’s map, while calling attention to Vietnam’s own claims on the Paracel Islands, which China started to militarize in recent years. The tribunal decided that China has “no historical rights based on the Nine-Dash Line”. The verdict was not accepted by the Chinese government, who put forward historical claims that are grounded in fiction rather than reality, and were thusly not accepted by the tribunal (cf. Mirasola 2016).



The jurisdiction of the Permanent Court of Arbitration (PCA) in the case

Philippines vs China (2016),
invoking UNCLOS was neither accepted by China nor by Taiwan.

Fig. 7: China’s Nine-Dash Line and UNCLOS (cf. Mirasola 2016)

The conflict between China and its South-East Asian neighbors is relevant to our analysis for three reasons: First, because it is a real arena of contrasting interest between ASEAN Vietnam and China, second because it is an example of China’s disregard for international institutions established by the old historic block, and third, because here we can observe that a fine line exists between Chinese hegemony in a neo-Gramscian sense on the one side, and a form of authoritarian behavior on the other. In the case of financial institutions such as via the AIIB, one could still find arguments for cultural hegemony; or in other words arguments for a non-violent, persuasive attempt at hegemony. Yet, in the case of the SCS the situation takes on a much more authoritarian character as China uses forceful mechanisms like militarization and colonization, inducing a sense of alienation and fear in the countries affected.

The already mentioned *Hai Yang Shi You 981 standoff* from 2014, also known as the China-Vietnam oil rig crisis, is particularly revealing for China's autocratic behavior in this situation. Here, the state owned National Offshore Oil Corporation moved its oil drilling platform to a disputed area close the Paracel Islands, all of which are claimed by China and Taiwan, while some of the islands are claimed by Vietnam. As a consequence, Chinese naval ships confronted Vietnamese Coast Guard- and Fishing- boats in open confrontation. The Chinese navy protected the oil platform while the Vietnamese vessels tried to hinder the platform from drilling, with one Vietnamese vessel sinking after it was being rammed.³⁰ While the maritime standoff was shaped by posturing rather than actual battle, the consequences for Sino-Vietnamese relations, Vietnamese nationalist protests and China's perception in South-East Asia are rather severe.

Vietnamese demonstrations against the oil platform were peaceful at first, and protestors supported the governments rebuking rhetoric against the Chinese transgression, however the demonstrations quickly turned violent as protestors started attacking (mostly) Chinese factories, but also found other means of violent anti-Chinese opposition.³¹ Pro-government nationalism now also bore strong elements of anti-government as well as anti-Chinese nationalism. Yet, not only (though predominantly) Chinese factories were burnt, looted and vandalized, which led some analysts to believe that the "anti-Chinese" protest are not merely an expression of anti-Chinese sentiment and Vietnamese nationalism, but that they also reflect a strong dissatisfaction with slow economic growth in some rural regions and the precarious situation for many Vietnamese (cf. Malesky and Morris-Jung 2015). Commenting on the anti-capitalist London riots

³⁰ Even though both parties accuse each other of ramming and spraying water. Considering however, that China send war ships, even jet fighters, and the Vietnamese fishing boats and ships from its coast guard, the "battle" and the ramming, must have been unequally balanced.

³¹ For example: A woman set herself on fire in front of the Independence Palace in Ho Chi Minh City in protest against the Chinese actions. Also, during the three and half months the oil drilling itself took place, the Chinese government evacuated about 3.000 Chinese citizens from Vietnam. In addition, were many factories attacked quite randomly, as rioters "appeared to have targeted companies that had Chinese characters in their logos or signs" (cf. Pham 2014). Because of this, the protestors sometimes attacked Taiwanese and Singaporean factories as well (ibid.).

in 2011, Žižek (2012) argues “[these riots are] the result of a very specific social and ideological constellation [...] Every violent acting out is a sign that there is something that you are not able to put into words. Even the most brutal violence is the enacting of a certain symbolic deadlock”. The Vietnamese rioters burning factories reflects the “symbolic deadlock” of being caught in a “specific social[ly]” severe situation. At the same time the situation is “ideological[ly]” charged with both anti-Chinese sentiment, which we have come to understand as an historically emergent property, but also as anti-government sentiment, which can be regarded as a consequence of economic hardship.

ASEAN support for Vietnam’s “battle” against the platform was reluctant at best. In an official statement ASEAN foreign ministers called on both parties to resolve the conflict in accordance with international law (UNCLOS) and “to exercise self-restraint and avoid actions which could undermined peace and stability” (Minh 2015: 5). With no word did ASEAN officially condemn China’s transgressions directly. However, this does not mean, that ASEAN leaders are not seriously concerned with China’s massive land reclamations to militarize, as these “eroded trust and confidence, and may undermine peace, security and stability in the South China Sea”, according to the former ASEAN general secretary Le Luong Minh (ibid.: 4). It is a paradoxical situation the countries of ASEAN find themselves in, because “China's vast size, huge market potential and growing military capabilities have presented both opportunities and threats to the ASEAN” (Hong 2015: 32). I think, Sino-ASEAN relations will remain fragile, as the territorial disputes still remain unresolved, whereas China’s military, economic and political power is increasing, as the waking giant seeks to take control of trading routes in its “own backyard”.³² Furthermore; there is a difference between the bilateral Sino-Vietnamese and the ASEAN approach to the SCS-situation, as we can infer from a recent statement from the Vietnamese foreign ministry after a new Chinese “muscle-flexing” in May 2018, employing H-6K bombers in

³² Today's situation in the SCS may be relatively comparable to the situation in the Gulf of Mexico at the end of the 19th century. A time where the US started to establish world dominance, also by removing the old colonial powers from its own “backyard” via military means (see the Spanish-American War of 1898).

the Paracel Island: “[such an action] increases tension and instability. [China should] stop militarization” and withdraw “illegally deployed” military equipment (Fook and Hop 2018: 4).

Perceiving China’s relationship to its neighboring countries through the lens of neo-Gramscianism was helpful to understand how China tries to establish hegemony via persuasive means of cultural hegemony. OBOR can be viewed as a persuasive means to spread a positive image about China’s political and economic activity on the level of *idea*. The idea serves to ideologically underpin China’s massive economic investments, which must be read in relation to its political goals (see e.g. Greece). The AIIB on the other hand can be seen as an attempt to establish consent on the level of *institution*. Yet, the situation is very complex, as cooperation and competition with other financial actors from the dominant historic bloc such as the ADB or the World Bank could mean both; opportunities for all competitors, but it could also add up to a loss of dominance for the historic bloc.

Its militarization and colonization of disputed islands as well as its disregard of mediating institutions (the PCA) in the conflict are condemned by all neighboring countries and erode trust in China’s other “dreams”, such as OBOR. ASEAN is indecisive to condemn China’s actions, which may reflect the uncertainty of perceiving China as both a danger but also an opportunity. The Sino-Vietnamese relations need to be viewed in the light of just mentioned hegemonial contexts. It is not entirely obvious, in how far the Vietnamese government and people are “buying into” China’s ideas and institutions. What may have become clear though, is that the fear of Vietnamese protestors is a function of two developments: First, China’s autocratic behavior in the SCS, especially during the Vietnam oil rig crisis, and the rootedness of that conflict in the history between China and Vietnam, as well as social consequences of slow economic growth in some regions. Vietnam’s government needs to balance the relationship with its assertive neighbor carefully.

8. World-Systems Analysis: Capitalist Crisis

According to Immanuel Wallerstein an inherent quality of capitalism is its disposition towards crisis; it typically encounters smaller cyclical crises and bigger hegemonic shifts again and again, and the entire capitalist system will cumulate in a crisis (Wallerstein 2004: 77ff.). The current state of affairs, namely of consecutive crises, such as the Asian Financial Crisis in 1997 or the Financial crisis of 2007 -2008, may continue to go on for yet another few decades.³³ So, in his view we are in a transitional period, but a crisis will ultimately determine the end capitalist system.

I will keep this chapter short, as it is speculative in character. We cannot know for sure, what is going to be happening to the world-system in the future, because, from a critical realist point of view, the world is too complex for any such predictions. But it is still worth mentioning, that a potential unfolding of China's debt crisis may have major implication for the entirety of political and economic relations, such as the Sino-Vietnamese relationship.

One possibility of a drastic systemic crisis could occur in the near future as a consequence of China's massive accumulation of debt. China's annual GDP-growth rate is at a long-time low and currently at about 6.8%, and growth of debt exceeded that of GDP in every year the previous decade. The overall debt in China, meaning the aggregate debt of the public-, corporate- and private sectors is currently at about 300%; in 2008 it was still at about 150%. It is noteworthy here, that the US- debt bubble burst at an overall debt of about 360% of GDP, when the US-housing crisis erupted. In contrast to the US- debt accumulation, the public sector accumulated about 105% of GDP, whereas the corresponding public sector in China "merely" accumulated 46% debt. One could argue, that because of this difference in debt allocation, the US were more susceptible to failure. But before the breakout of crisis, Spain and Ireland had also accumulated

³³ Even though the Asian Financial Crisis, which erupted from Thailand, did not hit Vietnam as severely as other countries in the region like Indonesia, Thailand or South Korea, all countries in the region experienced a decrease of demand and losses in sales. Also, I think a crisis like this would hit Vietnam harder today, because in 1997 the Doi Moi reforms were still fresh and relatively undeveloped, whereas today Vietnam is much more influenced by open market policies.

a lot of private debt but much less public debt; it did not save these countries from the post-2008 economic downturn (cf. Konicz 2015).

Since 2008 the Chinese economy has become less export driven. One reason for this is, because consumption demands in the Western customer countries decreased due to the crisis, while domestic demand was still insufficient to meet the production output. China's focus changed from being an export-driven to a credit- and investment- driven economic orientation. Mega-infrastructure projects like the Belt and Road Initiative may be emblematic of such an economic strategy, that creates massive investment for infrastructure projects, many of which with limited long-term infrastructure utility; such as the many ghost towns built around China (cf. Badkar 2014) or dozens of football stadiums in African countries (cf. Farry 2015). In addition to that many credits for these infrastructure projects are likely to have come from shadow banking, but it is not clear to what extent.

It would be off the point to go into more detail here, but it should have become relatively clear, that a new debt crisis could be imminent. According to some the upcoming capitalist crisis will have even more drastic implications on all levels than the previous ones (cf. Kotz 2010). This may be, because the global deficit has risen so much higher, than in it was during the last decades, and because the next industrial revolution, namely the digital revolution, produces a "useless class", meaning that these people cannot be economically productive anymore (cf. Harari 2017). While it is impossible to say, whether a Chinese or any other debt crisis will trigger the end of the capitalist world system, or whether the current transitional phase will "go on another twenty-five to fifty years" (Wallerstein 2004: 77), another crisis would have major implications not only for Vietnam, but for the entire world-system. According to Reinhard (2009), the economic and fiscal consequences of financial crises are, among others; drastic declines in economic output and in employment, as well as the collapsing of asset markets. For Vietnam this could mean, that many Chinese as well as third party infrastructure projects in Vietnam will be interrupted with a wide array of socio-economic implications. Should the next (debt-)crisis actually erupt from China, this could also spell a further boost of public anti-Chinese outrage in Vietnam, in conjunction with a surge in unemployment. Even though these developments are speculative in character, I think it is important to keep in mind, that the next crisis is possibly near, and should

China be its center, the exact political and economic implications are hard to foresee, yet they will be severe in any case.

9. Open Trade and Vietnam

According to Samir Amin peripheral countries need to disengage, to delink, from the logic of western centered capital accumulation and instead cooperate with emerging centers, like China, or other peripheral countries in order to achieve development. What is happening in Vietnam is clearly not a delinking from the dominant centers, quite the opposite. In what follows I will discuss, how linking to the dominant capitalist centers, how opening up trade, creates opportunities for Vietnam to constantly renegotiate its relation to both China and the dominant centers for its own benefit.

9.1. Vietnam's way to a socialist-oriented market economy

The Sino-Vietnamese relationship was still hostile when in 1986 the *Doi Moi* reforms moved Vietnam away from a much more centrally planned and delinked economy towards a more open market-oriented economy, and Vietnam has been in some kind of transitional period with increasing proportions of open market adaptations ever since then. "Reforms included the decentralizing the government, devaluing the dong, ending price controls, encouraging the establishment of private businesses, freeing markets, disbanding collective farms, giving land titles to farmers, relaxing regulations for foreign investors, streamlining the bureaucracy, closing down inefficient government monopolies and opening up farming and small service industries to individuals and families" (cf. Hays 2014). Vietnam received financial support from the IMF to implement Doi Moi, giving guidance to internal institutional reform and open trade, and so linking to the dominant center of economic policy making. After years of post-war export-deficits, growth rates started to increase, leveling out at about 6 to 7 % in recent years. Interestingly, some argue that the Doi Moi reforms have been influenced by Deng Xiaoping's open market reforms ten years prior to Vietnam (cf. Vuying 2004).

In 2007 Vietnam joined the WTO, and I think Article 3 of the 2013 Constitution of the Socialist Republic of Vietnam shows quite well, how strongly Vietnam has linked to the logic of individualistic free market ideology:

“The State guarantees and promotes the People's mastery; acknowledges, respects, protects and guarantees human rights and citizens' rights; implements the objectives of prosperous people, state powers, democracy, justice, civilization, and all that people enjoy that is abundant and free for a happy life with conditions for all-round development.”

Three decades after the initial Doi Moi reforms Vietnam transitioned from being a low to a middle-income country; its extreme poverty rate having fallen from ca. 50% in the early 1990s to ca. 3% today, while the GNI per capita in PPP has gone up from \$880 in 1990 to \$6.450 in 2017 (numbers from World Bank). Vietnam is still ruled by a one-party socialist government, but it is now deeply tied up to global trade with a strong focus on export-oriented growth. Vietnam has free trade agreements with South Korea, ratified the now defunct Trans-Pacific Partnership (TPP) and is waiting for the Free Trade Agreement (FTA) with the EU to be ratified in 2019. It is not clear yet, what the termination of TPP and the awaited ratification of the FTA with Europe will mean for Vietnam. But the FTA with South Korea has been called a “win-win” situation for both countries (cf. Jaeho 2016). Samsung (South Korean company) employs more than 100.000 people in Vietnam and ca. one third of the company's total output is manufactured in Vietnam, making Vietnam the second-biggest smartphone exporter worldwide, right after China. Samsung is not only responsible for nigh a quarter of Vietnam's total exports, but the Sino-Korean FTA has also been called a sign of “a positive cooperative relationship for mutual benefits like localization and technology transfer” (ibid.: 5).

Vietnam's altogether trade, which is imports and exports added together is at about 180% of GDP, more than any other country in South-East Asia, making it obvious that being a market-oriented economy; particular in manufacturing plays an important role in the Vietnam's economic success. It appears as if Vietnam is trying to follow China's move from a contract

manufacturer to a high-end economic player in its pursuit of an export-oriented economy (more below).

Vietnam's top five import origins are (1) China, (2) South Korea, (3) Japan, (4) Japan, (5) Singapore. Imports come mostly from Asia (about 85%), yet the imports come mostly from the most economically advanced countries from Asia, and from China (numbers and rankings from atlas.media.edu). This means, that from these 85%: 41% of imports come from China (emerging center), about 48,1% come from South Korea (28%), Japan, Singapore and Hong Kong (regional dominant centers), and only about 6% come Malaysia, Indonesia and the Philippines combined (regional periphery). About 4,7% of Asian imports come from India.

The top five export destinations of Vietnam are (1) USA, (2) China, (3) Japan, (4) South Korea, (5) Germany. Vietnam's exports are more globally oriented than its imports, yet in a relatively balanced way, meaning that markets in western center countries are heavily targeted, about 47% going to North America and Europe, while approximately the other half, about 48%, goes to Asian markets. Oceania, South America and Africa combined receive less than 5% of Vietnam's exports. The 48% of Vietnam's exports going to other Asian countries can be subdivided as follows: 38% go to China (emerging center), 45,2% go to South Korea, Hong Kong, Singapore and Japan combined (dominant regional centers), and 10% go to other South-East Asian countries, predominantly Malaysia, Indonesia and the Philippines (regional periphery).

China's main imports from Vietnam are machines (61%), Textiles (9,2%) and Vegetable Products (5.3%) with an import volume of \$40 billion/year. Its main exports to Vietnam are machines (37%), Textiles (19%) and Metals, mostly iron and steel (11%) with an export volume of \$70 billion/year. Even though this makes a huge Vietnamese trade deficit with China of \$30 billion/year, contextualizing this number with Vietnam's diverse export destinations to Asia, the USA and Europe, shows that, on the one hand, Vietnam is heavily reliant on imports from China, but on the other hand, exports are managed via diversification of export destinations. In addition to that, are many of the exports from China to Vietnam manufactured goods, such as telephones or integrated circuits, that Vietnam is increasingly producing on its own, even further mitigating the reliance on Chinese exports. However, metal exports from China to Vietnam (11%), are

essential to the countries increasing demands for industrialization projects (see below), and as China is, by far the biggest steel producer world-wide, there is a heavy reliance on it. This is, of course, not merely a bilateral matter but a global one, because China is the leading producer of many minerals and metals, such as coal, aluminum, gold, mercury, bismuth, tin and zinc, apart from controlling more than half of the world's lithium supplies³⁴, which is why many countries worldwide are dependent on China for these goods (cf. Sausmikat 2015).

9.2. The Vietnamese developmental model

Vietnam's growth model is heavily dependent on inward investment (inward FDI), particularly in manufacturing, and the country has become increasingly attractive to investors because of improvements in infrastructure and competence levels, a relatively deregulated business environment, and most importantly to a shift in low wage production from China. In China wages rise in double digits; with the consequence, that manufacturing moves from China to Vietnam. According to the *Global Manufacturing Competitiveness Index* (cf. Deloitte 2016) China is still the most competitive manufacturing nation worldwide, but the "mighty five" from the Asia Pacific region, Malaysia, India, Thailand, Indonesia and Vietnam "could represent a "New China" in terms of low cost labor, agile manufacturing capabilities, favorable demographic profiles³⁵, market and economic growth, with their competitiveness ranking rising in the next five years as China continues to shift its focus towards a higher value, advanced technology manufacturing paradigm"(ibid. 15). The authors argue that, while single countries like Vietnam cannot match productive capabilities of China by themselves, the Mighty Five, seen as a group, can potentially be regarded as an alternative market.

³⁴ Lithium is an important mineral in modern batteries – the Lithium-Ion Battery; for example in smartphones and laptops. Samsung (South Korea), who transfer a lot of their smartphone manufacturing to Vietnam use Lithium-Ion batteries and are thus dependent on China.

³⁵ On demographics in Vietnam: Vietnam has a large, young and very well-educated population. The nation excels in international tests like PISA, scoring well above center countries like Austria and the USA: "In science literacy, the main topic of PISA 2015, 15-year-olds in Viet Nam score 525 points compared to an average of 493 points in OECD countries" (cf. OECD 2015).

In 1995 Vietnam joined ASEAN, a regional attempt at South-South cooperation, and association is said to boost political, economic and cultural integration, for example by reducing trade barriers among member states and by creating a forum. However, the decision-making abilities of ASEAN, the “ASEAN Way” have often been criticized for its focus on informal agreements, only allowing for the lowest common denominator; its level of institutionalization being weak and disjointed (cf. Masilamani and Peterson 2015).³⁶ South-South cooperation as envisioned by Samir Amin is indeed difficult to achieve.

According to the logic of modernization theorists, in order for Vietnam to develop to a higher middle-income country, it would need to boost growth in its industrial manufacturing clusters (like Telekom equipment) and, essentially link these clusters with global supply chains, to then push forward to higher quality manufacturing themselves. This developmental model has been described as the *Flying Geese paradigm* and will be discussed below.

9.3. State or Market?

There is no consensus about the impressive economic growth rates of some Asian countries, like the Asian Tigers and Japan, or the economic growth Vietnam is experiencing right now. The debate oscillates between more open market-oriented and more state-oriented explanations, and so resembles the old market vs. state debate, which has, for example, already characterized the precursor discussions to dependency theory in the mid-19th century (see Vicente Lopez in the theory chapter).

Those arguing from the state-oriented perspective might agree with Prebisch and Cardoso by saying, that through good governance, for example via protectionist policies, development would actually be possible. Still, arguments are being put forward that “good macroeconomic management and stability, a competent bureaucracy, symbiotic state-business relations, publicly

³⁶ In a seminar about the Politics of South-East Asia our professor Chachavalopongpun told us, that ASEAN is basically unable to make any meaningful decisions, because of this ASEAN Way. He gave us a real-life example, telling us that he met with a high-ranking official from ASEAN, who told him his opinion about a debate of whether to accept East Timor as a new member of ASEAN. The ASEAN official said, that the association already had 10 members and that 10 is a good number; 11 countries might mean bad fortune.

controlled financing for development, industrial policy in a broad sense” (Kasahara 2013: 2), are responsible for economic development in an increasing number of Asian states. Chalmers Johnson understood the economic development in Japan with the concept of the developmental state, arguing that industrial policy was not only crucial in Japan, but in every industrialized country (cf. Johnson 1982). Vietnam’s path to development appears to bear at least some elements of this state-oriented perspective, opening up trade, whilst maintaining control over important sectors of its economy.

The *Flying Geese* paradigm basically shows the other, neo-liberal, perspective on development in Asian countries. The paradigm was developed by the Japanese scholar Kaname Akamatsu (cf. 1962), who argued that techniques and technologies of industrial development as well as capital goods of regional leaders (the metaphorical top goose being Japan)³⁷ move down to disseminate among the lower tier countries; meaning that innovation (development) spreads from nation to nation. While dependency theorists dismissed the liberal idea of comparative advantages because of deteriorating terms of trade for peripheral countries, the Flying Geese paradigm builds upon the notion of comparative advantages, saying that underdeveloped countries in a certain region can systematically advance through different developmental stages in an orderly fashion by adopting open-market policies in top-down recycling process of migrating productive capabilities. I think the example of Samsung in Vietnam shows, that there must be some truth to the paradigm. Here technology disseminates from the higher tier (South Korea) to the lower tier (Vietnam) exactly in the manner predicted in the Flying Geese paradigm.

Modernization theorists and proponents of the Flying Geese paradigm often regard economic growth as the best tool to measure development, which is a premise I seriously doubt and is something we will also see expressed empirically in next chapter, because, at least according to Samir Amin social and environmental implications must be included in any developmental framework. Another flaw of the Flying Geese paradigm is, that it barely touches upon geo-

³⁷ In Akamatsu’s original idea Japan was the first tier, the second tier was comprised of the newly industrializing countries Singapore, Taiwan, Hong Kong and South Korea, the third tier was comprised of Malaysia, Thailand and Indonesia, and lastly China, Vietnam and other countries in the region.

political influences. For example, Japan, profited a lot from its close post-world-war II relationship with the USA, just as South Korea, Hong Kong and Singapore have a historically close relationship with the USA. Today of course, the situation has changed, because the development of South Korea, Singapore or even Japan happened in an entirely different world-order; bipolar until 1989 and then with the USA and its allies as the only dominant geo-political actors. China's (re-)emergence changes the situation for countries like Vietnam, because for the first time since the end of the Cold War countries can choose between one center and another.

Kasahara argues that the Flying Geese paradigm "is a disguised framework of trickle-down effect" and that the enormous complexity of East Asian does not conform to a model of "an orderly catching-up process" (2013: 24). In her view, the economic growth we can observe in many East- and South-East Asian states is a *hybrid* form of development with both free-market and state-oriented elements. In the case of Vietnam Painter argues that the liberal reforms of Doi Moi "were modified to ensure they consolidated rather than unraveled the authority of the Vietnamese state and to accommodate the new hybrids of state-business alliances" (cf. 2005: 261). In his opinion, business in Vietnam is to a large part rooted in both the state as much as it is in the market (ibid.: 279). Even though I think the Flying Geese paradigm is flawed, confronting it with the developmental state model shows, that only in conjunction with the Vietnamese state could open-market reforms be responsible for the economic growth there.

As I mentioned before, infrastructure demands in South-East Asia are massive, just like they are in Vietnam, for example in energy and transport. As Vietnam does not want to become too dependent on China for investment, the USA having withdrawn from the TPP, Vietnam carefully attracts investors elsewhere, like Europe or regional centers like South Korea and Japan. From Amin's perspective it would be best to increase cooperation with other ASEAN states, yet carefully choosing economic partnerships on the global market seems to be the strategy Vietnamese officials prefer.

I think, that Vietnam's heavy reliance on FDI is both its biggest strength and its greatest weakness. Being such an open economy, negative effects of globalization, such as capitalist crises and trade

protectionism of key trading partners could hit Vietnam particularly hard. Yet, linking to the world economy in conjunction with the mentioned hybrid form of state control over economic reforms, and not delinking from the world economy, produced economic growth in Vietnam. The way I see it, Vietnam has to carefully choose between multiple linkages, and there is no perfect strategy. They can and choose to cooperate with neighboring South-East Asian states, yet the decision-making power and cohesiveness of ASEAN is weak. China, when seen as an emerging center country, is a power that Vietnam cannot alienate from, and it chooses to mitigate that bilateral relation via its engagement on the global market, for example with respect to its export diversification and Free Trade Agreements. Yet, this situation of investors coming from both the emerging center (China) and the dominant centers, gives Vietnam the opportunity to reposition itself between these centers in order to benefit from competition and to gain leverage on China. We will see, whether and in how far this leverage expresses empirically in the next chapter, where I will be particularly attentive to address social and environmental implications.

10. Chinese FDI in Vietnam

Before going into detail about Chinese FDI in Vietnam it is useful to summarize and give an overview of China's international strategy of foreign direct investment:

As the example of the Greek container port in Piraeus has shown, here, Chinese FDI is linked to political support from the Greek government. The Greek example can be contextualized as part of China's general "waking up", as it increasingly invests in other countries (since the Going Out Policy in 1999), and as part of Xi Jinping's vision to revive the ancient Silk Road in the multinational megaproject of the One Belt One Road Initiative. One example, where China is investing heavily in peripheral countries is Africa; particularly in resources.

Sino-African trade is a vast topic in itself and I will keep it short and concise. Africa, just like South-East Asia, has a massive need for infrastructure investment, and China has a massive demand for resources to fuel its own economic growth, so China is willing to grant credits with "no-strings attached"; meaning without the human rights-strings attached by many Western investors. The China – Africa Forum, held triennially, is a forum that nearly all African states attend with high ranking officials, and where topics like infrastructure-projects, credits and debt have been

addressed at the last meeting in Beijing 2018.³⁸ On the one hand has China's no-strings attached policy "made a substantial contribution towards the provision of 'hard infrastructure' across the continent, ranging from roads, railroads, ports, airports, power generation and distribution grids to pipelines and refineries", most often as part of the so-called *Infrastructure for Resource Deals* (cf. Alves 2013). On the other hand are many African countries increasingly indebted to China, not only in terms of monetary debt accumulation, but also in terms of mining concessions and permissions of long-term usage of African land. Worker's rights are also an issue, as China does create jobs, but often with limited safety precautions and temporary contracts. In addition to that, there are some parallels between Greece and Africa, in that China also "bought" political support from African countries, which can, for example, be seen in the very politicized decision of 44 of 54 African states, deciding not to condemn human rights violations in North Korea (China's ally) in the 2007 UN-General Assembly-referendum (resolution 62/167).

Vietnam, but also South-East Asia and Africa, have a huge demand for infrastructure investment. Like I mentioned earlier, the ADB estimates a need of ca. \$26 trillion of further infrastructure investment in South-East Asia until the year 2030. At the moment Chinese FDI in Vietnam makes up only 18% of total FDI to that country, which also reflects Vietnam's integration in international trade, having close relations to European countries like Germany, the USA, as well as neighboring center countries like South Korea and Japan.

In 2016 China had more than 1600 valid FDI projects in Vietnam with an investment capital of \$11.20 billion, and an average investment volume of ca. \$7 million/project, while the average FDI/project in Vietnam is about \$13 million (Information from the Ministry of Planning and Investment of Foreign Investment; cf. FIA Vietnam 2019). Generally, most of Chinese FDI still comes from state-owned enterprises (cf. Alon et al. 2014). Most of the Chinese FDI goes into processing and manufacturing with ca. 60% of total Chinese FDI; the production and distribution of energy, water and air conditions ranks second with about 18% of total Chinese FDI in Vietnam

³⁸ The only country that in 2018 did not send a representative to Beijing was Swaziland, which holds a historically strong connection to Taiwan.

(cf. FIA Vietnam 2019). Bang-Hai and Zhang (cf. 2017) from the Harbin Engineering University in Harbin, China argue that there are positive and negative effects of Chinese FDI in Vietnam: Positive, in their eyes, is that Chinese investment (1a) responds to the shortage of capital in Vietnam's economy, (2a) creates jobs, increasing incomes for Vietnamese workers, (3a) speeds up industrialization processes, and (4a) helps to integrate Vietnam in the world economy. Negative, in their eyes, is that Chinese FDI (1b) is often rather small in scale, compared to FDI from other countries, (2b) offers lower wages than from other FDI sources, which in my view relativizes the positive argument (2a), and (3b) is linked to resource exploitation, disregarding environmental protection. The authors posit that "Vietnam appreciates the role of China's FDI in contributing to the socio-economic development of Vietnam, [supporting] desirable Chinese businesses to strengthen investment cooperation with Vietnamese businesses" (ibid. 67). I doubt this assertion, particularly against the background of mentioned violent anti-Chinese uprisings during the oil-rig incident in 2014, in light of the distrust between Chinese (guanxi) and Vietnamese (quan he) business networks, and also considering the treatment of worker's rights in Chinese factories in Africa. In what follows, I will analyze two examples of Chinese FDI in Vietnam: (1) in hydropower and (2) concerning the Special Economic Zones (SEZ), in order to understand the political, social and environmental implications of Chinese investment in Vietnam.

10.1. Hydropower Projects in the Mekong Delta

China is the world's largest producer of hydropower with 341 GW in 2017, and was accounting for almost half of the growth in global production capacities with 9,1 GW during the same year (cf. International Hydropower Association 2018). It seeks to be independent from fossil-fuel and other energy imports, and so to fuel its economic growth seeks to increasingly meet its own domestic demand with sustainable forms of energy (cf. Yuan et. al. 2016). China is at the forefront of hydropower development worldwide, and so increasingly engages as a contractor and investor of hydropower projects in South-East Asia, but also globally. Both China and Vietnam could provide for themselves completely with domestically-produced energy, yet both also import energy to meet with rising demands and to deal with fluctuations in energy consumption.

The Vietnamese government predicts that from 2010 to 2020 energy demands will triple, as energy consumption levels grew 12% on average from 2006 to 2015 (cf. Tran 2018). At the same time, some argue that many of these forecasts overestimate demand, because the state-owned energy enterprises control the decision-making process on which projects to realize and which not, meaning that energy security is a contested political issue for all governments involved (cf. Lamb and Dao 2015). The state-owned enterprise *Vietnam Electricity*, which is subordinated to the Ministry of Industry and Trade, holds a monopoly over the energy sector. But the two largest energy sources – hydropower (43%) and fossil fuels (56%) are depleting, and the Vietnamese government is implementing policy changes in the renewable energy sector to address this problem. With the 7th Power Development Plan (until 2030), the Vietnamese government is liberalizing the energy sector, particularly focusing on solar energy, in an attempt to attract even more FDI from other countries. I will now focus on the political, social and environmental effects of Chinese FDI in Vietnamese hydropower.

As I have shown in the historical chapter about the Sino-Vietnamese relationship, since about 1991 the relationship started to normalize and both states started to increasingly cooperate with each other again. Their relationship in terms of energy trade is different to Chinese relationships with other countries in the region, because Vietnam has its own hydropower development projects in Laos and Cambodia, and is acting more and more like a leader in hydropower development itself. Yet, according to Lamb and Dao (2015: 5) Chinese enterprises are involved in all Vietnamese hydropower projects, either as contractors, investors or regulators (more below).

China provides not only knowledge and material for hydropower activity in Vietnam, but it also sells electricity to Vietnam, particularly during times of peak demand; Chinese electricity accounting for ca. 2% of Vietnam's total energy consumption. The selling of energy to Vietnam is met with resentment though, because the "[energy] contracts were not necessarily seen as beneficial to Vietnam, but 'necessary'" (ibid.: 7). These contracts include agreements, stating that Vietnam would receive a penalty, if it did not purchase the agreed amount of energy from China. Also, prices for Chinese electricity are about three times higher than domestically produced

energy. Public concerns about the prices and reliance on Chinese energy adds to anti-Chinese sentiment in Vietnam, and the Vietnamese ministry of Industry and Trade makes information available about days when “not a single kWh of Chinese-originated electricity was used” (ibid.). I think, the stance of the Vietnamese government here is rather ambivalent, because, on the one hand do they want to strengthen economic and diplomatic ties with China, and on the other are they catering to the anti-Chinese sentiment of the Vietnamese population. I interpret this as a pragmatic attempt to placate the own population, whilst trying not to alienate “necessary” Chinese investment.

In the eyes of the Vietnamese government hydropower is primarily seen as a tool to relieve poverty and to boost economic growth, but also as a means to strengthen ties with neighboring states such as China (cf. Dao 2011). Even though many of the hydropower projects in Vietnam appear to be realized without Chinese involvement, in fact this is most often not the case. Typically, Chinese investors are not only finance providers, but their investment often manifests as one of the following three types: “project design, construction, and/or equipment provision” (ibid.: 8). It is estimated that up to ninety percent of hydropower equipment in Vietnam is provided by Chinese companies, which is also the case when Vietnam Electricity and its subcontractors are hired for construction. Thus, Vietnam imports hydropower equipment, that is higher up the value chain.

Some claim that Chinese hydropower FDI is beneficial for the local population, because it creates jobs (cf. Urban et. al. 2013). The World Commission on Dams (WCD) however asserts, that little evidence exists on the positive effects for the local population in dam-building areas (cf. 2000). China imports a lot of Chinese workers to work on the hydropower construction sites, and it also builds upon the Chinese community in Vietnam.³⁹ Local communities raise concerns, that Chinese

³⁹ This is not only a „problem“ in Vietnam, but in all countries at the Mekong River:

“The question of Chinese ethnicity is a complex and sensitive subject, with millions of people who were born and raised in the three lower Mekong countries claiming Chinese heritage. Vietnam, naturally, carries the collective memory of China as a historical colonial power. [...] The divergence between the perspectives of the elite and the

enterprises do little to improve local employment or to improve the local economy. For example, in Dong Giang, a district in Quang Nam, a central province in Vietnam, many Chinese workers came to work in two hydropower projects. They soon far outnumbered local Vietnamese residents and established a “Chinese village”, where Vietnamese workers were marginalized and discriminated against for being less competitive than their Chinese counterparts (Lamb and Dao 2015: 9). A local representative of the District People Committee of Dong Giang describes the situation like this: “Before the project started, we asked the investor to give priority to local workers. They agreed and hired just a few local workers. Compared to the number of Chinese workers in these projects, the number of local workers is insignificant” (ibid.: 9), so the Vietnamese government misses its goal of poverty reduction and job creation.

Another major problem with Chinese workers on hydropower projects is the xenophobic media coverage about it. Here, an example of media coverage about the “Chinese village”: “Illegal Chinese workers at a hydropower plant project in central Vietnam’s Quang Nam Province have disturbed the peace by attacking local residents. One of the workers also abandoned his pregnant Vietnamese girlfriend” (Thanhnie News 2013; Lamb and Dao 2015: 9). These anti-Chinese narratives are not only bound to hydropower projects, but, for example, also emerged during the mentioned oil-rig incident and the anti-Chinese riots that ensued with it in 2014. In a more recent study Lamb and Dao (cf. 2017) found that anti-Chinese narratives often emphasize China’s historical role in colonial relationships with other South-East Asian countries, and also emphasize its increasing dominance in contemporary conflicts like in the South China Sea. At the same time does this xenophobic rhetoric overlook more pressing issues of environmental concern, which is what I will focus on next.

The Mekong River Delta is a vast area of land in Southern Vietnam, and it is the southernmost end of the Mekong River, that flows from China, through Laos and Cambodia, to then flow out of Vietnam into the South China Sea (Fig. 5:).

grassroots on the growing influence of China presents considerable challenges for Cambodian, Lao and Vietnamese leaders.” (Rutherford et al. 2008: 2).



Fig. 8
The Mekong flows from Tibet to Vietnam. Shannon1/wiki, CC BY-SA
(cf. Ermakova) 2016)

More than 20 million people live in the Mekong Delta, and the river itself is a lifeline for about 60 million people, who depend on fresh water and fish from the river. More often than not, the exploitation and destruction of the river's resources are only secondary concerns for policy makers and investors. Similar to the concerns raised about Chinese FDI in Africa, Chinese investment in Mekong hydropower "does not have benchmarks compliance with human rights, democratic ideals and environmental protection regulations, but is built on relationships and friendship" (Rutherford et al. 2008: 2). There are severe social and environmental costs of damming the Mekong River; one study found that "the deterioration of the riverine ecosystem means a decrease in food security for local people, as well as disrupted economic and social structures, which are tightly linked to a healthy natural ecosystem" (Noam and Deetes 2007: 7f.). Again, the targeted government goal of poverty reduction is not met.

As mentioned before, Vietnam is in a transitional period and it is certainly not an easy situation for the Vietnamese government to weigh economic, social and environmental interests. A certain kind of poverty alleviation has been reached, which is linked to liberal economic reform as the entire country is re-structuring and industrializing. So, more energy is needed to meet demands,

yet hydropower is a tricky type of “renewable” energy. While hydropower itself does not pollute its environment, some of its detrimental social and environmental effects have been sketched out in this chapter. By aligning more closely with China, who is the biggest global hydropower-player, Vietnam is making use of that technology to fuel its own economic growth, yet it is far off its main goal of poverty alleviation, and the environmental costs are high. This analysis mirrors the assessment of the WCD, saying that “dams have made an important and significant contribution to human development, and benefits derived from them have been considerable [, yet] an unacceptable and often unnecessary price has been paid to secure those benefits, especially in social and environmental terms, by displaced people, communities downstream from the dam, taxpayers and the environment” (2000: 6f.). Not only social and environmental damage are part of the hydropower package, but anti-Chinese xenophobia, which again needs to be seen in the context of other anti-Chinese narratives in Vietnam, is one other side product of pursuing this hydropower-strategy.

10.2. Special Economic Zones (SEZ)

Special Economic Zones are areas within the borders of anyone country, where special economic laws apply, for example particular tax regulations or *laisse faire* labor regulations. These areas are set up in order to overcome business obstacles and promote investment, but are often criticized for a disregard of labor rights (cf. Parwez 2015). SEZs are wide-spread in Vietnam, yet the government’s recent legislative plans to enable 99-year land leases have been met with heavy resistance and violent anti-Chinese protests.

In 2017 Vietnam had ca. 800 SEZs, more than 5,000 foreign enterprises and ca. \$100 billion invested capital in these areas (annual GDP the same year was ca. \$224 billion). These SEZs provide a business-friendly environment not only for export-oriented manufacturing, but also for higher-value industry, particularly in computer electronics but also in biotechnology (cf. Tyson 2018). Most of these SEZs have been developed and are being maintained by the private sector, who manage the facilities and are responsible for infrastructure and business relations. The role of the state is confined to providing the legislative basis, meaning policy incentives like tax and export regulations, as well as land-leasing arrangements. Vietnam’s attractiveness as a cheap labor supplier is also due to these incentives (ibid.).

The Vietnamese government proposed a law for three SEZs scattered evenly across Vietnam; one in the far north (Northeastern Province), one in the southern-center at the coast (Khanh Hoa Province) and one in the southern Mekong Delta (Kien Giang Province). Article 32. of the proposed *Law on the Economic Units of Van Don, North Van Phong and Phu Quoc*, concerning the management and use of land in the special economic zones states that: “Based on the size and nature of the investment project and the proposal of the investor, the chairman of the special People's Committee shall decide on the duration of using land for production and business in a special zone not exceeding 70 years; In special cases, the land use term may be longer but not exceed 99 years as decided by the Prime Minister.” [Google translate from Vietnamese; cf. National Assembly SRV]. As of yet, the Vietnamese government has not made public information about the concrete conditions of these 99-year land leases.⁴⁰

The draft proposal does not mention China explicitly, mentioning only “foreign” investors (ibid.). Nonetheless, as a consequence of the three proposed SEZs the Vietnamese people start to organize in protest as they fear: “territorial concessions [..., becoming] a dumping ground for China’s waste [...] the conflict between local people and Chinese immigrants [..., and] economic loss” (cf. Trang 2018).

The Chinese are being accused of using the so-called “salami-slicing” strategy here by lobbying for the SEZs, a strategy to take Vietnamese land bit by bit (ibid.). The strategy has been defined as “the slow accumulation of small actions, none of which is a casus belli, but which add up over time to a major strategic change”, and China is already being accused of salami-slicing in the South China Sea (cf. Haddick 2012). As I have mentioned before, the increased employment of Chinese immigrants for economic projects in Vietnam creates tensions between the local population and the immigrants, who have sometimes been living in Vietnam for several generations, but who are also often directly “imported”.⁴¹ Some Vietnamese even fear, that by establishing more and more Chinese communities in the SEZs, the Chinese immigrants could

⁴⁰ Traditionally, in Vietnam the government does not make public the names of those who draft a law. Due to this intransparency it is impossible to hold anyone person, anyone lawmaker, responsible for the consequences of a law.

⁴¹ Exact numbers on Chinese immigrants and Chinese workers are difficult to obtain, because illegal immigration is a major issue (cf. Van Chinh 2013).

demand to “exit Vietnam and come back to merge into the motherland of China” (Trang 2018). Not having anyone particular lawmaker responsible for the proposed law heightens concerns over the projects even further, due to a lack of transparency and accountability.



Fig. 9
 “Don’t give our land away”
 -
 The clash of interests in
 Vietnam’s anti-China
 protest
 (cf. Elmer 2018)

These concerns over the SEZs manifest both in peaceful demonstrations (see Fig. 6), but also in violent riots, which are based in a fear of Chinese expansionism (cf. Sands 2018). Media coverage about the riots is heavily politicized, as pro-state and pro-SEZ’s propaganda, in contrast to anti-state and anti-SEZ propaganda are both widespread (cf. Tung 2019). On the one hand does the state media depict the riots as being questionably motivated, saying for example, that the riots have been provoked by individuals, who take advantage of patriotism and are driven by “hostile elements”. On the other hand does foreign Vietnamese media (like BBC Vietnamese or the Saigon Broadcasting TV network) focus on police brutality, state incompetence and the divide between people and the state (ibid.).

After the oil-drilling issue in 2014, the conflict over the SEZs is already the second major issue within only five years, where mass demonstrations and violent outbreaks express Vietnamese fears about increasing Chinese influence. I think, these concerns become understandable against the historical background, from which a Vietnamese defensive anti-Chinese identity developed. Many Vietnamese are also skeptical about the economic benefits of the SEZs advertised for by the government, which they believe will not contribute to local job creation. Other Chinese FDI projects, like in hydropower, also made promises for local job creation, which as I have shown,

they did not fulfill, which helps to understand Vietnamese concerns in this regard as well. Some parallels can be drawn to China's FDI into African countries, where infrastructure for land (resource) deals play an important role, and the "import" of Chinese workers is also a conflict-laden issue. Yet, in Africa Chinese investment is met with welcoming hands, in contrast to Vietnam, where Chinese FDI is met with anti-Chinese sentiment.

Conclusions/Summary

There is a joke about China: "that one can say anything about it without getting it right. Another joke is that one can say anything about it without getting it wrong. Yet another joke is that the longer one stays in the country, the more intimate the grasp of the language, culture and history, the less confident one feels about judgments and predictions" (Bell 2010: 9).

The Chinese mode of capitalism has been termed a more effective authoritarian hybrid of state and open market elements; a combination of communism, capitalism and Confucianism. President Xi Jinping's official rhetoric emphasizes international collaboration and harmony. Yet, it is unclear how exactly the Confucian idea, that ties diminish in intensity over distance, relates to international collaboration. It has not become entirely clear, whether Confucianism is really the guiding principle for China's foreign relations strategy, or whether it is a propagandistic stunt.

China's opening up to outward FDI as part of the Going Out Policy in 1999 marked the beginning of increasing Chinese international economic and political influence. President Xi's showcase project, the One Belt One Road Initiative encourages peoples and nations to join the "friend circle" for a "great cause", and can be seen to serve the function of establishing cultural hegemony, as China is willing to take the lead towards a new era of interconnected trade. It tries to establish control via economic investment all over the world, but this investment is often tied to political support, for example in Greece or in Africa. It is a clear challenge to the old US-lead historic bloc, attempting to establish a counterhegemony, with a lot of money to back it up and with "no strings attached".

With respect to regional financial control, China established the AIIB, the financial spearhead in the competition over massive infrastructure investments all over Asia. Though Chinese officials

stress the importance of cooperation, China has a strong veto power in the bank, and hence exerts hegemony on the level of institution, whereas OBOR manifests on the level of idea, in Gramscian terminology. At the same time is competition for Asian infrastructure projects not tied to any one bank, as multiple finance providers compete with each other; such as the ADB or the World Bank.

Conflicts over the South China Sea show, that China is willing to add more forceful means to its challenge to the dominant US-lead hegemony. Forceful mechanisms like militarization and colonization, induce a sense of alienation and fear in the countries affected. However, there has been no unified condemnation of China's aggression by ASEAN so far, so state actors like Vietnam and the Philippines have to act more assertive on their own in order to defend their interests. The South-East Asian South-South Cooperation, that Samir Amin demands, which might help to keep China in check is not effective, because ASEAN is weak with regards to institutionalization and also disjointed.

Historically, Vietnam and China have been inextricably linked in dynamic and shifting forms of asymmetry for more than 2000 years. China's soft-power colonialism in its historic periphery lead to the formation of a Vietnamese defensive national identity and a very Sino-skeptical mindset of many contemporary Vietnamese. At the same time are both countries much alike, particularly China has been having an enormous influence on Vietnamese language and culture. Confucianism is one such important bridge between both countries, as Vietnam has been using a Confucian inspired court system for more than 800 years, and filial piety, as part of a hierarchical perception of family and society, is shared in both cultures.

The emergent center China is a power that Vietnam cannot alienate from, and it chooses to moderate that bilateral relation by engaging on the global market, for example with regards to its export diversification and Free Trade Agreements. Vietnam is becoming increasingly competitive in manufacturing, as China moves to higher value manufacturing and cheap labor is becoming more readily available in Vietnam, but also in other South-East Asian countries. Vietnam is heavily dependent on imports from China, in order to fuel its rapid economic growth with natural resources from China. In addition to that, does Vietnam rely heavily on export, both to other Asian countries, but also to Europe and the USA. However, this situation of investors and

customers coming from both the emerging center (China) and the dominant centers, gives Vietnam the opportunity to reposition itself between these centers in order to benefit from competition and to gain leverage on China. At the same time, Vietnam is carefully choosing between multiple linkages, and it is difficult to determine the perfect strategy.

Just like China's economy bears elements of capitalism, communism and Confucianism, the Vietnamese developmental model is also some kind of hybrid form of development with both free-market and state-oriented elements, in some respects similar to China's effective authoritarian capitalism.

Chinese FDI makes an important contribution to Vietnamese infrastructure, but there are some negative social and environmental aspects to it. The Sino-Vietnamese business relations are problematic, meaning that Chinese (*guanxi*) and Vietnamese (*quan he*) business networks are important for trade, but cross-border stereotyping shows how both are very much dependent on one another, yet the relation is dreaded by both sides. There are social and environmental consequences of damming the Mekong River, disturbing a sensitive ecological system. Also, with Chinese hydropower investments the Vietnamese government does not meet its goal of poverty alleviation. One reason for that being, the massive import of Chinese labor migrants as well as the use of mostly Chinese construction material. The media coverage about Chinese hydropower projects is often xenophobic and adds to anti-Chinese sentiment, whilst more pressing issues of environmental concern are not focused on.

The legislative draft for Special Economic Zones is another heavily contested topic, where economic initiatives from the government meet with heavy resistance from the Vietnamese population. This resistance manifests both in peaceful protests, but also in violent anti-Chinese, and partially, anti-government riots. Many Vietnamese fear an increase of Chinese influence, but their protests must also be seen in light of the precarious situation of many Vietnamese, particularly in rural areas. Nonetheless, did all three protests reviewed in this paper, against the hydropower projects (2013), during the oil-rig crisis (2014), and the SEZs (2018) trigger historic anti-Chinese sentiment as part of the Vietnamese defensive identity, sometimes causing violent riots.

For Vietnam living in a multipolar world order means, that there are multiple centers to connect to. Vietnam is not delinking from the logic of western capital accumulation. It is opening up to world trade, and is so balancing its relationship with the emergent center China, which is both increasingly connected to the dominant centers itself, but also acts more self-determined as its own powers grow. The Vietnamese government finds itself in a difficult position, where economic interests, such as Chinese FDI, collide with popular interests. Vietnam has a highly educated population and there needs to be a public discussion about anti-Chinese xenophobia, because more pressing concerns like social and environmental reform, or the ticking time bomb of a possibly imminent capitalist crisis erupting from China, are being neglected. At the same time, do I not see, that China will change its own foreign policy, because, even though Confucianism is promoted in word, the highest goal for China is still economic development; humanitarian and environmental problems are only a secondary concern. However, Vietnam's level of South-South cooperation with other regional powers is relatively low. Increasing ties and strengthening ASEAN could mean to further build up its own bargaining power, as multiple centers compete for influence in South-East Asia.

According to one central claim of critical realism, the social sciences cannot discover laws like the natural sciences do, because the social world is too complex for such simplifications. That is why there are no laws governing dependency as well. There needs to be room for interpretation and adaptation. For example, Samir Amin argued that peripheral countries only have a chance to develop by delinking from the logic of the dominant centers and cooperating with other peripheral countries. The case of Vietnam shows, that this is not the case. Linking instead of delinking to the dominant center is one important reason for Vietnam's impressive economic growth. Even though predictions made by dependency theorists need not be entirely true, the theory is still helpful, because it focuses on critically examining structural inequalities within the global capitalist world order.

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