

**Contemporary Chinese Political Economy and Strategic Relations:
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FOREWORD

Mainland China and Taiwan in the Asia-Pacific: Norms, Institutions, Identity and Governance / Emile Kok-Kheng Yeoh

GEOPOLITICS AND ECONOMIC RELATIONS

Differences in East Asian Economic Institutions: Taiwan in a Regional Comparison / István Csaba Moldicz

China and Soft Power: Building Relations and Cooperation / Audrey Dugué-Nevers

An Assessment of the China-Korea Free Trade Agreement: Implementation Outcome and Influencing Factors / Meiling Wang and Chun-Kai Wang

NORMS, INSTITUTIONS AND REALPOLITIK: HISTORY AND EVOLUTION

Political Reforms in a Global Context: Some Foreign Perspectives on Constitutional Thought in Late Imperial China / Egas Moniz Bandeira

Rethinking Peace-Building in East Asia: The Case of Japan's Struggle over History in Postwar Era / Xiaohua Ma

Russia-Taiwan Relations: History and Perspectives / Sergey Vradiy

BIOPOLITICS AND SOCIAL WELLBEING

Institutional Approach to Anti-corruption Efforts in Taiwan, Hong Kong and Mainland China: Improving the Norms, Strengthening the Ethics / Olga Yurievna Adams

The Rights of the Wronged: Norms of Nuclearism, the Polygon and the Making of Waste-life / Aliya Sartbayeva Peleo

China and India Going Green: The Power of Wind, International Norms, and National Commitments / Silvan Siefert

POLICY COMMENTS

The Dialectic Characteristics of Policies for Asia-Pacific Regional Relations / Ching Chang

Independent Planning System and Public Administration in Metropolitan Development: Agglomeration Strategies of Greater Chaoshan in Southern China / Tian Guang, Kathy Tian, Camilla H. Wang, Liu Yu and Li Wei

Housing in China: State Governance, Market and Public Perception / Emile Kok-Kheng Yeoh and Wang Fan

LETTER TO THE EDITOR / from Claude Meyer

BOOK REVIEW

Weiwei Zhang (ed.) (2012), *The China Wave: Rise of a Civilizational State* / reviewed by Chang Le

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Special Issue

**Norms and Institutions in the Shaping of
Identity and Governance: Mainland
China and Taiwan in the
Regional Environment**

Special Issue Editors

Wen-cheng Lin Emile K.K. Yeoh

**Contemporary Chinese Political Economy and Strategic Relations:
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Contemporary Chinese Political Economy and Strategic Relations: An International Journal

Notes for Contributors

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(continued inside back cover ...)

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*Special Issue – Norms and Institutions in the Shaping of
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Emile K.K. Yeoh

Contents

Foreword

- Mainland China and Taiwan in the Asia-Pacific: Norms, Institutions,
Identity and Governance 1
Emile Kok-Kheng Yeoh

Geopolitics and Economic Relations

- Differences in East Asian Economic Institutions: Taiwan in a Regional
Comparison 27
István Csaba Moldicz

- China and Soft Power: Building Relations and Cooperation 71
Audrey Dugué-Nevers

- An Assessment of the China-Korea Free Trade Agreement:
Implementation Outcome and Influencing Factors 103
Meiling Wang and Chun-Kai Wang

Norms, Institutions and Realpolitik: History and Evolution

- Political Reforms in a Global Context: Some Foreign Perspectives on
Constitutional Thought in Late Imperial China 139
Egas Moniz Bandeira

- Rethinking Peace-Building in East Asia: The Case of Japan's Struggle
over History in Postwar Era 187
Xiaohua Ma

- Russia-Taiwan Relations: History and Perspectives 213
Sergey Vradiy

Biopolitics and Social Wellbeing

Institutional Approach to Anti-corruption Efforts in Taiwan, Hong Kong and Mainland China: Improving the Norms, Strengthening the Ethics 247
Olga Yurievna Adams

The Rights of the Wronged: Norms of Nuclearism, the Polygon and the Making of Waste-life 285
Aliya Sartbayeva Peleo

China and India Going Green: The Power of Wind, International Norms, and National Commitments 331
Silvan Siefert

Policy Comments

The Dialectic Characteristics of Policies for Asia-Pacific Regional Relations 367
Ching Chang

Independent Planning System and Public Administration in Metropolitan Development: Agglomeration Strategies of Greater Chaoshan in Southern China 395
Tian Guang, Kathy Tian, Camilla H. Wang, Liu Yu and Li Wei

Housing in China: State Governance, Market and Public Perception 433
Emile Kok-Kheng Yeoh and Wang Fan

Letter to the Editor

Letter from Claude Meyer, author of *China or Japan: Which Will Lead Asia?* London and New York: Hurst, with Columbia University Press and Oxford University Press (2012) 507

Book Review

Weiwei Zhang (ed.) (2012), *The China Wave: Rise of a Civilizational State* reviewed by Chang Le 517

Contributors

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FOREWORD

Mainland China and Taiwan in the Asia-Pacific: Norms, Institutions, Identity and Governance

The present volume, *Norms and Institutions in the Shaping of Identity and Governance: Mainland China and Taiwan in the Regional Environment*, represents a special issue of *Contemporary Chinese Political Economy and Strategic Relations: An International Journal (CCPS)* that focuses on the interconnecting issues related to the vital role played by norms and institutions in establishing and consolidating more open and plural societies, economies, and polities, amidst which norms being the *sine qua non* for institutions that in turn serve as the platform for enforcing norms and sustaining values, within the context of the political and socioeconomic development of Mainland China and Taiwan. As Professor Wen-cheng Lin, director of the Institute of China and Asia-Pacific Studies (ICAPS) at Taiwan's National Sun Yat-sen University (NSYSU), remarks in the preamble to the 2016 Sizihwan International Conference on Asian-Pacific Studies, "Norms and Institutions in the Asia-Pacific"¹, while the "Asia-Pacific region is the site of varied institutions that build and enhance trust and cooperation as well as norms that foster greater connectivity across borders", there also exist "challenges found in the region that can pose obstacles to the promotion of trust-enhancing institutions and norms". The twelve

articles featured in this special issue of *CCPS*, with the exception of the three *Policy Commentaries*, represent new versions of selected papers among the many that were originally presented at the said conference, duly revised by incorporating critical peer feedback received at the conference and from other reviewers, in a modest attempt to answer the two questions posed in the conference's preamble – “What is the trajectory for Asia insofar as norms and institutions are concerned?” and “How can certain behaviors and practices be located or situated?”, here in the particular reference context of Mainland China and Taiwan.

This special issue begins with a section on *Geopolitics and Economic Relations* featuring three articles – “Differences in East Asian Economic Institutions: Taiwan in a Regional Comparison” by István Csaba Moldicz, “China and Soft Power: Building Relations and Cooperation” by Audrey Dugué-Nevers, and “An Assessment of the China-Korea Free Trade Agreement: Implementation Outcome and Influencing Factors” by Meiling Wang and Chun-Kai Wang. While Moldicz presents an interesting comparison between the developmental state cases of Taiwan, Japan, and South Korea, and the peculiar features of Taiwanese economic institutions, including the peculiar and deeply worrying phenomenon of “Chiwan”, in contrast to Japan and South Korea, Dugué-Nevers explores how China wields her soft power to win the hearts and minds of those who are wary of a “China threat”, and Wang and Wang look at China's recent active pursuit of free trade agreements focusing on the China-Korea FTA.

Juxtaposing these three paper is interesting as the contrast between Taiwan's and Mainland China's political and economic trajectory, one seems to sit easily within the contours of the modernization theory while the other has always look problematic, has never failed to be subject of exciting academic enquiry. Given the unenviable situation that Taiwan has been in since the Republic of China (ROC) lost her United Nations

seat, her economic performance has never be free from the determining factors of the Cold War and the tug-of-war between the “Chiwan” phenomenon owing most recently by the Beijing-friendly Ma Ying-jeou’s Kuomintang (KMT) presidency and the three “Go South” policies of the Democratic Progressive Party (DPP) government (the present Tsai Ing-wen Administration’s “New Southbound Policy”, as Moldicz is looking at, being the latest manifestation). On the other hand, the global reach of Mainland China’s “soft power” backed by her economic strength and market size, and the lucrative trade and investment opportunities she could offer the world (as through her latest “One Belt, One Road” initiative) which not only will help to make the global economy a friendly place for Chinese commerce but also to advance her clout in the global superpower rivalry. The question remains, unlike the “soft power” emanation from the United States, Western Europe during the Cold War years, and Japan and South Korea in the recent decades, is a similar “soft power” projection – here predominantly state-orchestrated – from an authoritarian one-party state with absolute Party-state social and political control possible? Such contradictions are worth exploring, as conventional norms are increasingly coming under challenge – for instance, there has been question whether China is, while sounding somewhat uncanny, rising to be the world’s new champion of free trade with emergence of the unpredictable Trump Administration in the U.S.²

In looking at norms and institutions, it has long been observed that while international norms create domestic institutional change, the final outcome of domestic institutional change very much depends on the presence of strong international pressure and pro-norm historical institutions – which favour the group most consistent with international norms – as well as domestic power structures determined by the historical institutional settings.³ The next three articles of this special issue – “Political Reforms in a Global Context: Some Foreign

Perspectives on Constitutional Thought in Late Imperial China” by Egas Moniz Bandeira, “Rethinking Peace-Building in East Asia: The Case of Japan’s Struggle over History in Postwar Era” by Xiaohua Ma, and “Russia-Taiwan Relations: History and Perspectives” by Sergey Vradiy – under the section *Norms, Institutions and Realpolitik: History and Evolution* thus delve back into the recent history of Mainland China and Taiwan and their foreign relations (China-Japan, Taiwan-Russia) to examine the path dependence of domestic and foreign policies, the possible historical hang-over, and how such historical roots of contemporary norms and institutions sit well with today’s regional *Realpolitik*, here referring to politics or diplomacy based primarily on chiefly pragmatic considerations of given circumstances and factors vis-à-vis those ideological or moral and ethical.

While Moniz Bandeira focuses on the outside views on the emergence of Chinese constitutional thought in the beginning of the 20th century, in particular the role played by the Japanese statesman and *genrō* (元老) Itō Hirobumi (伊藤博文) up to his assassination in 1909, his highly commendable detailed exploration of this germination period of Chinese constitutional democracy does give rise to various thought-provoking “what-ifs”. Though as Moniz Bandeira has observed, most foreign diplomats and politicians of that bygone era agreed that a representative constitution was not immediately feasible for the Ch’ing-dynasty (清朝) China despite the recognition that features of a modern nation-state would benefit China in the international arena not only politically but also economically, it does beg the question as to how China would look like today if that early attempt at constitutionalism had proceeded more smoothly, if the last dynasty of China was ethnically Han (漢族) and not Manchurian (滿族), and if political circumstances in Japan and China had not led to Japan’s full-scale invasion of China that doomed the opportunity for further

democratisation and economic strengthening of the post-Hsin-hai revolution (辛亥革命) Republican China (which was just newly brought about by the revolutionary movement led by Dr Sun Yat-sen (孫中山 / 孫逸仙), after the failure of K'ang Yu-wei (康有為) and Liang Ch'i-ch'ao (梁啟超)'s advocacy for constitutional monarchy), tilted the military balance between the ruling Nationalists and the Workers' and Peasants' Red Army of China and directly led to the successful establishment of Chinese Communist Party dictatorship in 1949 that managed to hold on to absolute political power till today.

Ma's article in this section, on the other hand, picks up where we just left off in examining how today's Japan deals with its conflicting national narratives and historical controversy in East Asia related to the legacy of her invasion of China and the rest of East and Southeast Asia during World War II. By looking at Japanese peace museums and the particular case of Osaka International Peace Center (大阪国際平和センター) being embroiled in domestic political controversy surrounding their WWII exhibits, Ma explores the political battles over war memory and history education in Japan and the implications not only for the domestic political landscape but also for bilateral relations with her former war victims including China. Indeed, the impact of historical revisionism by ultra-nationalists in playing down or refuting Japan's crime against humanity during her invasion of China and the rest of East and Southeast Asia can never be just domestic, or simply on bilateral relations, for it always plays well today into the hand of China's ruling CCP in rallying nationalistic support for the Party-State as guardian of national pride and interest against the perennial nemesis, Japan, about whose war atrocities in World War II the leaders of this one-party state has never pulled back from reminding its compliant subjects, including the *fenqing* (憤青, literally "angry youths") who are never hesitant to take to the streets or resort to cyber bullying to defend national glory.

Finally, moving away from Sino-Japanese historical relations and interactions over to the other side of the Taiwan Strait, Vradiy's article examines the contemporary history of Russia's relations with Taiwan, tracing changes in relations, on the side of Russia, from the era of the House of Romanov (Романовы, 1613-1917), through the one-party federation of the Soviet Union (Советский Союз, 1922 to 1991) to today's multi-party Russian Federation (Российская Федерация), and on the side of Taiwan, from the era as part of the remote territories of the Celestial Empire, through Japanese colonialism, the post-228 massacre White Terror years, post-Chiang Kai-shek political reforms, to today's "best-case" democracy⁴. While acknowledging various barriers to further strengthening relations, ranging from strategic considerations during the Cold War era to Russia's "One China" policy and her close strategic relationship with the authoritarian Beijing regime today, Vradiy's exploration of the contemporary history of Russia-Taiwan relations does point to the good chances of developing bilateral trade, investments, technology cooperation and other effective partnership goals in the future especially those involving the Russian Far East (Дальний Восток России), for, after all, while there have been advances and setbacks in democratic process in both countries even with the risk of backpedalling towards authoritarianism, civil movements in both societies, from the "Dissenters' March" to "Snow Revolution", from the "Wild Strawberries Movement" to "517 Protest" to "Sunflower Movement", do attest to a social understanding of the importance of safeguarding the hard-earned political freedom since overthrowing one-party dictatorships in the early 1990s in both countries. This is what Russia and Taiwan share in term of the democratic process, and it points to the possibility for sharing and cooperating more in other domains.

In the previous years' ICAPS International Conference on Asia-Pacific Studies (the first, 9-10 November 2012; second, 7-9 November 2013; third, 13-15 November 2014 and fourth, 12-14 November 2015), Professor Samuel C.Y. Ku, then director of ICAPS and convener of the said conferences, has emphasised in the conference preambles political openness, economic regionalization, cross-border interactions and cultural exchanges amidst changes and challenges in the Asia-Pacific including intra-regional migration that gives rise to issues and problems related to political and ethnic identities, economic interactions, social adaptation and cultural shifts, while a tug-of-war is playing out between the two ideational forces – one pushing, one pulling – of economic integration and identity countervailing demands for demarcation and distinction based upon ethno-national and class and ethclass⁵ identities. As Aliya Peleo points out in her article “The Rights of the Wronged: Norms of Nuclearism, the Polygon and the Making of Waste-life” under the section *Biopolitics and Social Wellbeing*, the discussion of geopolitics of structural realism is often conducted without a complimentary notion of biopolitics – as regards “the population life-system and its ‘historical development in time’” – which remained distinct from geopolitics as spheres of international influence “because of the different priorities of governance, such as post-war reconstruction, decolonization, international institution-building, and [...] hegemonic expansion” despite the fact that the “‘human’ biopolitical aspects of population that need to be governed and improved [...] were crucial aspects of state’s governmentality”.

Using the case of Kazakhstan, Peleo’s paper critically examines the case of “waste-lives” related to the Semipalatinsk Polygon that reflects the disregard accorded to the “human” aspects of military industrial complex, particularly its biopolitical impact on the life-system of population. Beyond that, Peleo also brings up the issue of China’s now

geopolitical “Eurasian pivot” through initiatives such as “One Belt, One Road” (OBOR) wherein question arises as to whether such initiatives based on state-level geopolitical “national interest” also mean “conveniently disregarding the biopolitical issues of population lives in Semipalatinsk and Xinjiang”.

In the case of Xinjiang (新疆), the historical legacy left by China’s use of Xinjiang as the testing ground for its nuclear weapons programme from 1964 to 1996, according to Japanese research results of Professor Takada Jun (高田純), a physicist at the Sapporo Medical University (*Sapporo Ika Daigaku* / 札幌医科大学), have probably resulted in a “conservative minimum” of 194,000 deaths from related illnesses out of the 1.48 million people who were exposed to radioactive fallout from the testings, 1.2 million people afflicted with leukaemia, solid cancers and fetal damage, including 35,000 newborns who were deformed or handicapped. Not allowed into China, Takada obtained his results based on estimation by extrapolating his model with Xinjiang’s population density. Not allowed while in China to probe into the existence of disproportionate number of cases of malignant lymphomas, lung cancers, leukemia, degenerative disorders and deformed newborns, Enver Tohti, a Uyghur medical doctor who moved to Turkey 1998 ostensibly as part of his medical training and then worked with Takada, claimed to have uncovered medical records showing Xinjiang’s higher-than-national-average cancer rates with a team of British documentary filmmakers whom he smuggled back into Xinjiang as tourists. The 46 nuclear testings over the span of 32 years at Xinjiang’s Lop Nur have been disastrous in particular for the ethnic minorities including Uyghurs and Tibetans as wind direction had brought nuclear dust to the Silk Road cities and townships in Xinjiang and Gansu (甘肅), bringing about cross-generational legacy of cancer affliction (with Xinjiang’s cancer rates allegedly 30 to 35 per cent higher than the national average), birth

deformities and shorter lifespan.⁶ It is in the context of this legacy that Peleo poses the question as to what China would do as a regional power through the development of “peaceful” energy industry in Eurasia, e.g. under the OBOR initiative, for the local marginalized population’s life-systems as not to expose them to more existential risks and more “wastes”.

Similarly focusing on human welfare, the other two articles under this section, “Institutional Approach to Anti-corruption Efforts in Taiwan, Hong Kong and Mainland China: Improving the Norms, Strengthening the Ethics” by Olga Yurievna Adams and “China and India Going Green: The Power of Wind, International Norms, and National Commitments” by Silvan Siefert, focus respectively on institutional and normative developments in the area of anti-corruption efforts and the promotion of green energy and international climate change objectives.

The two articles share a comparative approach. In doing so, Adams’s article in a thought-provoking way places side-by-side the operation of Hong Kong’s famed Independent Commission Against Corruption (ICAC) upholding the city’s fiercely corruption-intolerant reputation, the function of Taiwan’s Control Yuan as part of a unique five-branch government structure designed by Sun Yat-sen which combines watchdog and ombudsman functions that have successfully fought against corruption and economic crimes since the island state was transformed into a vibrant liberal democracy from the late 1980s, and Mainland China’s present unprecedentedly relentless campaign to root out corruption at all levels of the Party-State’s ruling apparatus and that pervades the much hated phenomenon of government-business collusion which, notably in contrast to similar efforts in the vibrant liberal democracy of Taiwan and the dauntless free-spirited city of Hong Kong, is geared towards preserving the Communist Party of China’s exclusive

ruling position as former president Jiang Zemin (江泽民) had grimly warned fifteen years ago: “If we do not crack down on corruption, the flesh-and-blood ties between the party and the people will suffer a lot and the party will be in danger of losing its ruling position, or possibly heading for self-destruction.”⁷

Parallel to this, Siefert, in comparing China and India as two of the leading developing countries in promoting green energy and international climate change objectives, significantly brings forth the issue of output performance-based regime legitimacy for autocratic and democratic regimes alike, one main instrument for which in the State’s arsenal being “policy output legitimation based on the outcomes of issued policy strategies, decrees, and legislations”. It is in this context that, according to Siefert, how environmental protection can be strategically ignored in favour for economic growth with the rapidly growing and politically supported wind energy sectors in the two countries “in terms of the bigger picture of Beijing and New Delhi fostering external and internal legitimation by transforming norms and values to measureable outcomes”. Economic achievements and technological feats attract admiration and sense of glory. Financial prosperity buys loyalty. Such regime legitimation is particularly important for a one-party dictatorship that constantly needs to convince the people that no other party could rule that well. Thus while civil societal groups’ assertion of pressures is frowned upon and met with stern government crackdowns, which are increasingly draconian under the Xi Jinping (习近平) administration, be they upon non-governmental organisation (NGO) leaders, civil rights lawyers or labour activists, the CCP State has at the same time been observed to be keen in responding to the society’s grievances, not least reflected in the Xi administration’s remarkably bold action against corruption as observed in Adams’ article, leading to the observation that this authoritarian State

under one-party dictatorship sometimes looks as if higher in external efficacy⁸ than that of some vibrant liberal democracies. By the same token, so many Germans decades ago so heartily supported the Nazis and Third Reich of Adolf Hitler – a ruthless but “feel-good dictator” who, while being dangerous to challenge, did restore to them the feeling of self-importance and bring back not only lost glory and national pride but also long-awaited economic improvement and security⁹, and instill a higher feeling of external efficacy, like what Italians said about the effect of Benito Mussolini’s Fascist reign on improving Italian trains’ punctuality or what Mussolini did convince many of them about: “Mussolini may have done many brutal and tyrannical things; he may have destroyed human freedom in Italy; he may have murdered and tortured citizens whose only crime was to oppose Mussolini; but ‘one had to admit’ one thing about the Dictator: he ‘made the trains run on time.’”¹⁰

Besides the nine articles that represent new versions of selected papers among the many that were originally presented at the 2016 Siziwan International Conference on Asian-Pacific Studies, “Norms and Institutions in the Asia-Pacific”, duly revised by incorporating critical peer feedback received at the conference and from other reviewers, under the three sections *Geopolitics and Economic Relations*, *Norms, Institutions and Realpolitik: History and Evolution* and *Biopolitics and Social Wellbeing*, this issue of the journal also includes three *Policy Commentaries* – “The Dialectic Characteristics of Policies for Asia-Pacific Regional Relations” by Ching Chang, “Independent Planning System and Public Administration in Metropolitan Development: Agglomeration Strategies of Greater Chaoshan in Southern China” by Tian Guang, Kathy Tian, Camilla H. Wang, Liu Yu and Li Wei, and “Housing in China: State Governance, Market and Public Perception” by Emile Kok-Kheng Yeoh and Wang Fan.

In the late 1880s, Friedrich Engels, based on his reading of Hegel's early 1880s work *Wissenschaft der Logik (Science of logic)*¹¹, postulated three laws of "materialist" dialectics in his unfinished work *Dialektik der Natur (Dialectics of Nature)*:

It is, therefore, from the history of nature and human society that the laws of dialectics are abstracted. For they are nothing but the most general laws of these two aspects of historical development, as well as of thought itself. And indeed they can be reduced in the main to three:

The law of the transformation of quantity into quality and vice versa;
The law of the interpenetration of opposites;
The law of the negation of the negation.

All three are developed by Hegel in his idealist fashion as mere laws of *thought*: the first, in the first part of his *Logic*, in the *Doctrine of Being*; the second fills the whole of the second and by far the most important part of his *Logic*, the *Doctrine of Essence*; finally the third figures as the fundamental law for the construction of the whole system.¹²

The first law, the passage of quantitative changes into qualitative changes, which has been applied to population change-induced social change and class conflict could be traced back to the Ionian philosopher Anaximenes of Miletus (Ἀναξίμενης ὁ Μιλήσιος; c. 585 – c. 528 BC) and later Aristotle (Ἀριστοτέλης, 384–322 BC). The second law, the unity and conflict of opposites, originally came from another Ionian philosopher Heraclitus of Ephesus (Ἡράκλειτος ὁ Ἐφέσιος, c. 535 – c. 475 BC). The third law, the negation of the negation, which is purely

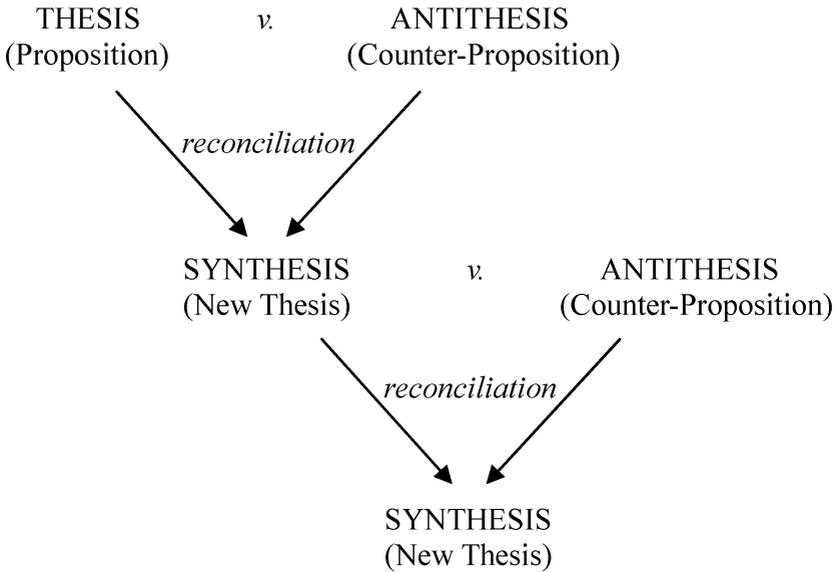
Hegelian had been made well-known by Karl Marx's use of the idea in *Das Kapital, Kritik der politischen Ökonomie (Capital: Critique of political economy)*¹³:

The knell of capitalist private property sounds. The expropriators are expropriated. The capitalist mode of appropriation, the result of the capitalist mode of production, produces capitalist private property. This is the first negation of individual private property, as founded on the labour of the proprietor. But capitalist production begets, with the inexorability of a law of Nature, its own negation. It is the negation of negation.¹⁴

This, as interpreted by the Soviet theorists (Aizenberg *et al.*, 1931: 185-196)¹⁵:

[...] dialectical processes are presented as processes which jump through transitions of quality-quantity development, on the basis of the movement of their opposites. But dialectical processes of development in reality and in our cognition are not exhausted by the law of the transition from quantity into quality and conversely, and the law of the unity of opposites. Along with these two basic laws of dialectics, we have a third basic law of dialectics with substantiation from Marx and Engels – the law of the negation of the negation [...] The law of the negation of the negation is a concrete form of the law of the unity of opposites, that is, the law of the struggle of opposites and the resolution of their contradiction. Engels also saw in this the essence of the law of the negation of the negation. He wrote: “The true, natural, historical, and dialectical negation is (formally) the moving source of all development – the division into opposites, their

Figure 1 Hegel's Dialectic



struggle and resolution, and what is more, on the basis of experience gained, the original point is achieved again (partly in history, fully in thought), but at a higher stage.”¹⁶

Hence, conclude Aizenberg *et al.* (*ibid.*: 196), referring back to the Hegelian dialectical model (see Figure 1)¹⁷:

Thus the essence of the law of the negation of the negation, the essence of thesis, antithesis, and synthesis in the division of unity, in the struggle of opposites and in the resolution of this contradiction, that is, in the origin of new developmental tendencies. “Processes,” Engels wrote in *Anti-Dühring*, “which have an antagonistic nature

contain a contradiction inside them. The transformation of one extreme into its opposites and, finally, as the basis of everything, the negation of the negation.”¹⁸

Chang’s policy commentary represents an interesting attempt at employing these three dialectic rules to examine and to interpret the power transitions and evolutions of the regional relations among Mainland China, Taiwan, Japan, North and South Korea and other countries, including ASEAN (Association of Southeast Asian Nations) members, in the Asia-Pacific region. It is a refreshing take on these three laws of “materialist” dialectics in application in the foreign policy, diplomacy and IR domains.

Besides Chang’s article, this section also includes two other policy commentaries in which Tian, Tian, Wang, Liu and Li examine independent planning system as a means of public administration in regional economic development and proposes a new strategy to agglomerate various Chinese cities into a new administrative entity with independent planning status and preferred policies of a special economic region to lead regional development, and Yeoh and Wang comment on the current situation of the house prices in China and the existing state of affairs about the Chinese housing market, explore a series of important reasons for the high house prices, examine various public policies the Chinese government is using to control real estate, as well as reveal the citizens’ perception of increasing house prices. As Tian, Tian, Wang, Liu and Li observe in their article, in regard to governance, government administration as part of a wider cultural change movement involves institutional changes that reshape original institutional arrangements and restructures interest distribution patterns, a norm-institution interface-transforming process – whether in urban planning or housing policy – in which different stakeholders aim to maximize their own interests,

through which new institutions-agreements formation will ultimately be reached as a result of various related factors that come into play.

Finally, closing this special issue of the *Contemporary Chinese Political Economy and Strategic Relations: An International Journal (CCPS)* is Chang Le's review of *The China Wave: Rise of a Civilizational State* edited by Weiwei Zhang (2012). In addition, in encouraging academic exchange of opinions, this issue also include a *Letter to the Editor* from Claude Meyer, author of *China or Japan: Which Will Lead Asia?* (London and New York: Hurst, with Columbia University Press and Oxford University Press, 2012) in responding to a book review article published in the previous issue of the journal.

Before ending this foreword, we would like to thank all the contributing authors of the articles in the various sections of this special issue, and the anonymous reviewers of these articles for their invaluable efforts in making the publication of this 2017 *CCPS* special issue of *Norms and Institutions in the Shaping of Identity and Governance: Mainland China and Taiwan in the Regional Environment* possible. For the nine articles in the first three sections in this issue which represent new versions of the earlier papers presented at the 2016 Siziwan International Conference on Asian-Pacific Studies, "Norms and Institutions in the Asia-Pacific", duly revised by incorporating critical peer feedback received at the conference and from other reviewers, we would also like to thank these conference presenters who have taken great effort to revise their papers for inclusion in this special issue as well as the discussants, conference participants and other reviewers who have given invaluable assistance in providing critical comments on the earlier versions of these papers. We are also grateful to our proof-readers, Miss Amy Kwan Dict Weng (官狄雯), Miss Janice Quan Nian En (官念恩) and Miss Seyoung Lim (임세영 / 林世榮) at University of Malaya and Sejong University (세종대학교 / 世宗大學校), for their

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Malaysia

Notes

1. The 2016 Sizihwan (西子灣) International Conference on Asian-Pacific Studies, “Norms and Institutions in the Asia-Pacific”, held at the National Sun Yat-sen University in Taiwan (臺灣國立中山大學), on 10-12 November 2016, jointly organized by the Institute of China and Asia-Pacific Studies of the National Sun Yat-sen University and the Department of Political Science of the University of the Philippines Diliman.
2. “China: The world’s new champion of free trade?” *Al Jazeera English*, 26th November 2016 <<http://www.aljazeera.com/programmes/countingthecost/2016/11/china-world-champion-free-trade-161126085644649.html>>; “Davos 2017 – Xi Jinping signals China will champion free trade if Trump builds barriers”, *The Guardian* (UK), 18th January 2017 <<https://www.theguardian.com/business/2017/jan/17/china-xi-jinping-china-free-trade-trump-globalisation-wef-davos>>; “China as a champion of free trade? Not so fast” (by Nyshka Chandran), *CNBC*, 23rd March 2017 <<http://www>.

cnbc.com/2017/03/23/boao-forum-michael-froman-calls-out-china-on-free-trade.html>.

3. See: Ramazan Kilinc (2008). *History, international norms and domestic institutional change: State-religion relations in France and Turkey*. Ph.D. Dissertation. Arizona State University, Tempe, Arizona, USA.
4. See: Shelley Rigger (2004). Taiwan's best-case democratization. *Orbis*, Vol. 48, No. 2, pp. 285-292.
5. Milton Gordon's concept of "ethclass" as "the portion of social space created by the intersection of the ethnic group with the social class [which] is fast becoming the essential form of the subsociety in America". See: Milton Gordon (1978). *Human nature, class and ethnicity*. New York: Oxford University Press, p. 134.
6. *The Times* (UK), 19th April 2009; *ODN*, 21st April 2009; *Scientific American*, July 2009; *ODN*, 1st August 2009. (東方日報 / *Oriental Daily News* / *ODN* is a Malaysian daily in Chinese, with China news sources mainly from the Hong Kong and Taiwan media.)
7. In Jiang's 2002 last political report to the National Congress. Cited in: Will Hutton (2006). *The writing on the wall: China and the West in the 21st century*. London: Little, Brown, p. 126.
8. External efficacy refers to citizens' perception of the government being responsive to their demands, while the other type of political efficacy, internal efficacy, refers to citizens' belief that they can understand politics and therefore participate in politics, i.e. their assessment of their capabilities to act politically.
9. This is the premise of left-wing historian Götz Aly's book *Hitler's beneficiaries: Plunder, racial war, and the Nazi welfare state* (Metropolitan Books, New York, 2007, translated by Jefferson S. Chase from German edition first published in 2005). See also Tyler Cowen, "Why did so many Germans support Hitler?", *Marginal Revolution*, 30th March 2005 <http://marginalrevolution.com/marginalrevolution/2005/03/why_did_so_many.

html>.

10. Ashley Montagu and Edward Darling (1967). *The prevalence of nonsense*. New York: Harper & Row.
11. Georg Wilhelm Friedrich Hegel's *Wissenschaft der Logik (Science of logic)* was first published between 1812 and 1816.
12. "II. Dialectics" in: Frederick Engels (1883). *Dialectics of nature*. With "Preface" by J.B.S. Haldane, November, 1939 (transcribed 1998/2001 for MEIA by slr@marx.org, jjazz@hwcen.org). *Marx & Engels Internet Archive (MEIA)* <https://www.marxists.org/archive/marx/works/download/Engels_Dialectics_of_Nature_part.pdf>. (*Dialektik der Natur (Dialectics of nature)* is a collection of texts written by Friedrich Engels between 1873 and 1883.)
13. Volume 1 of *Das Kapital (Das Kapital, Kritik der politischen Ökonomie)* was published in 1867; Volume 2 and Volume 3 were published (with different subtitles) posthumously (prepared by Friedrich Engels from notes left by Karl Marx) respectively in 1885 and 1894.
14. *Capital: A critique of political economy*, Volume I – Book One: The process of production of capital. (First published: in German in 1867, English edition first published in 1887; Source: First English edition of 1887 (4th German edition changes included as indicated) with some modernisation of spelling; Publisher: Progress Publishers, Moscow, USSR; Translated: Samuel Moore and Edward Aveling, edited by Frederick Engels; Transcribed: Zodiac, Hinrich Kuhls, Allan Thurrott, Bill McDorman, Bert Schultz and Martha Gimenez (1995-1996); Proofed: by Andy Blunden and Chris Clayton (2008), Mark Harris (2010), Dave Allinson (2015).) Chapter 32 (pp. 541-542), See p. 542. <<https://www.marxists.org/archive/marx/works/download/pdf/Capital-Volume-I.pdf>>
15. From: *диалектический материализм (dialekticheskii materialism)* [dialectical materialism], by A. Aizenberg, K. Egorova, M. Zhiv, K. Sedikov, G. Tymianskii and R. Iankovskii, under the general editorship of

- A. Aizenberg, G. Tymianskii and N. Shirokov, Leningrad: ORGIZ-Privoi, 1931. Excerpts in <<http://marxistphilosophy.org/Aizenberg.pdf>>.
16. See (from source of quote): Friedrich Engels, Preparatory Materials for *Anti-Dühring*. In: *Karl Marx Frederick Engels Collected Works*, New York: International Publishers, 1976--, Vol. 25, pp. 606-607. (Vol. 25 was published in 1987.)
 17. As every synthesis represents the thesis of a new dialectic, the occurrence of social change is inevitable. This process will continue, leading to the unfolding and progress of history till an ultimate synthesis is reached – the final, “absolute idea” that is so perfect as to give rise to no more antithesis.
 18. See (from source of quote): See Friedrich Engels, *Anti-Dühring*. In: *Karl Marx Frederick Engels Collected Works*, New York: International Publishers, 1976--, Vol. 25, pp. 130, or *Herrn Eugen Dührings Umwälzung der Wissenschaft, Marx Engels Werke*, Berlin: Dietz Verlag, 1956--, Vol. 20, p. 131.
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committee of several journals in Asia and Latin America. Among his latest publications in recent years are *From Handover to Occupy Campaign: Democracy, identity and the Umbrella Movement of Hong Kong* (edited Focus issue, CCPS, 2016, 350 pp. + xviii), *China amidst competing dynamics in the Asia-Pacific: National identity, economic integration and political governance* (edited special issue, CCPS, 2016, 633 pp. + xv), *Crossing the Chinese frontier: Nation, community, identity and mobility* (edited special issue, CCPS, 2015, 410 pp. + xv), “Rising China as a regional power and its new assertiveness in the South China Sea” (book chapter, Palgrave Macmillan, 2014), *China – State, public policy and society* (guest edited special issue, *The Copenhagen Journal of Asian Studies*, 2014, 140 pp.), *June Fourth at 25: The quarter-century legacy of Tiananmen* (edited special issue, *IJCS*, 2014, 367 pp. + xv), “Poverty reduction, welfare provision and social security challenges in China” (book chapter, Routledge, 2014), *Taiwan: Democracy, cross-Strait relations and regional security* (edited Focus issue, *IJCS*, 2014, 195 pp. + x), “Evolving agencies amid rapid social change: Political leadership and State-civil society relations in China” (book chapter, Palgrave Macmillan, 2013) and *China: Developmental model, State-civil societal interplay and foreign relations* (edited monograph, 745 pp. + xxi, ICS, 2013). His latest research projects include the Equitable Society Research Cluster UMRG Programme on Public Administration and Governance (2016-2017, principal investigator), Malaysian Ministry of Higher Education/University of Malaya High-Impact Research (HIR) Grant project “The China Model: Implications of the contemporary rise of China” (2013-2016, principal investigator) at the Department of Administrative Studies and Politics, Faculty of Economics and Administration, University of Malaya, and Suntory Foundation/University of Tokyo international research grant project “Beyond ‘China threat theory’: Dialogue with China experts on the rise of China” (2014-2015, Malaysian component).

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Geopolitics and Economic Relations

Differences in East Asian Economic Institutions: Taiwan in a Regional Comparison

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Abstract

The term “developmental state” describes a very conscious, however, more or less market-friendly approach to economic development. The developmental states of the East Asian region can be characterized by a strong emphasis on diverse forms of state intervention generally; however, these sets of institutions differ in the Japanese, Taiwanese, and South Korean economies. The aim of this paper is to offer a comparative analysis of economic institutions and their alterations after the Asian financial crisis. The paper includes Taiwan, Japan and South Korea in the analysis. The paper seeks to define the peculiar features of Taiwanese economic institutions in contrast to Japan and South Korea. By doing so, the paper investigates different aspects of economic institutions in Japan, Taiwan and South Korea: firm structure, the ability of firms to shape and organize regional supply chains, the role of state and trade unions, the composition of GDP/GNP, economic openness (trade, exchange regimes) and financial sectors’ capability to channel funds and encourage saving and investments. One of the findings of the paper is

that Taiwan's defining feature is its very close cooperation with Mainland China. However, the deep interconnectedness of the two economies, often called "Chiwan", is going to be changed. The reason for this is not only a new economic policy, Taiwan's "New Southbound policy" of enhanced cooperation with countries of the Southeast Asia, South Asia and Oceania, but the upgrading of the Chinese economy, which is losing its place in the global supply chains as a cheap-labour country.

Keywords: China, Taiwan, Europe, economic structure, institutions

1. A Short Description of the Industrial Background

1.1. Flying Geese Model or the Developmental State Paradigm

The two concepts attempt to explain the successes of East Asian countries, however, their approach could have been more different, since the flying geese concept refers to the importance of over-regional features, thus giving a regional and more liberal explanation to the Asian success, whereas the developmental state concept has a national economy framework, which has been used to emphasize national policies and measures. It can be argued, that these concepts stand in sharp contrast to each other; however, they only refer to two different epochs of the world economy, where the developmental state concept reflect the approach of the 1960s and 1970, and the flying geese concept considers the conditions of a globalized area. So it is no surprise that the latter explanation can be utilized more effectively today, but the developmental state concept is better to be used when explaining differences among Asian countries.

1.1.1. The “flying geese” concept

The Asian miracle started with a full-scale industrialization in Japan, and it continued in South Korea and Taiwan. Later, in these countries, labor-intensive production was replaced by capital-intensive production. Although the fundamentals in these economies were very similar, catching up with the West took place in different epochs, led by Japan, where the well-designed policies and traditions of early 19th and 20th century industrialization created a favorable environment for a successful economic “take-off” (Rostow, 1960: 4-16).

The “flying geese paradigm”, which was first sketched out by the Japanese economist Kaname Akamatsu (赤松要) in trying to find a rationale why and how Japan was followed closely by South Korea and Taiwan and what are the deep links among these economies. Taiwan’s industrialization started with the labor-intensive textile sector, of which the pattern can be found in Japan and South Korea as well; however, later stages of industrialization were quite different as public enterprises were emphasized less in South Korea and Japan than they were in Taiwan. The “flying geese paradigm” attempts to describe a region-wide catching-up process, in which driving forces of this process are links between the hierarchically lined-up economies, whereas the “developmental state” explanation is a nationalist concept, since variables of the success can be interpreted in the framework of the national economy – i.e. industry policy, state’s efficient involvement in the economy, saving-borrowing schemes etc. (Kasahara, 2013: 2)

It can also be argued that the two explanations complement each other, and they only reflect different periods of economic development, thus the developmental state model can be utilized when describing the phase between the 60s and 80s, while the flying geese model reflects the epoch of economic globalization beginning in the late 80s. In the flying

geese model, the main driver of industrial change is the leader's (Japan's) need to minimize labor costs, based on shifts in comparative advantages. The concept suggests that industrialization and internationalization of production spread from one low-wage country to another. The mechanism only sets in when competitive advantages of the first low-wage country have been fully exploited. But on the other hand, recent technological changes pose new threats since they diminish the importance of wages; since more and more labor phases can be carried out by automation that constrains economic policies exploiting wage differences. However, there are clear flaws in the flying geese model:

1. The underlying assumption of the model is that economic globalization is irreversible; however, economic history vividly shows that the internationalization process be stopped and reversed. (E.g. WWI put an end to the first wave of globalization, and even now, there are more signs for a temporary slow-down of the current globalization process.)
2. The theory does not consider historical, cultural and institutional differences among countries.
3. This paradigm mainly focuses on comparative advantages, less on asymmetric dependencies among countries.

What can certainly be used from this model in the context of Taiwan is the notion that modern industry spread in waves, and Taiwan came later than Japan, since only after the second oil crisis did Taiwan's modern and internationally competitive sectors emerge. The temporal discrepancy between Taiwan and South Korea is not substantial; however, it must be noted that firms' structure in the two economies is different, since large Korean firms dominate much more the economy than the Taiwanese big ones. (See this difference in the next section.)

1.1.2. The developmental state paradigm

The developmental state paradigm refers to the effectiveness of these states in implementing policies aimed at modernizing, reorganizing backward and traditional economies, directing the behavior of economic players, and shaping major macroeconomic trends.

The first and most effective example of a developmental state was Japan¹, which was emulated by South Korea, Taiwan, Singapore, and Malaysia. Thailand and Hong Kong had a freer market approach regarding industrial policy, which was combined with an open attitude towards foreign direct investments (FDI), while Japan and South Korea discouraged FDI. The South Korean policy changed slightly after the Asian financial crisis; however, the industrial landscape is still shaped by large South Korean enterprises (*chaebols*, 재벌 / 財閥).² Taiwan, in most of the cases following a balanced policy, encouraged FDI in most sectors, and it discouraged them in some of the more vulnerable sectors.

Ming Wan contends that, unlike the Japanese model, Taiwan's state developmental policies were less powerful, so Taiwan firms have been shaped more effectively by the market. In this environment, incentives to competition are stronger and state intervention is less centralized and intense (Wan, 2008: 215). This assessment may be applied to the epoch after 1985, but even prior to this period, Taipei's policies were much more heavy-handed, and relied more on state-owned enterprises than Japan or South Korea.

Additionally, the dominance of small and medium-sized enterprises (SMEs) can also be espoused by the relatively small domestic market. This point is particularly interesting, considering the views that Taiwan had a less effective state in development. For example, analyzing the period between 1950 and 1985, Wu argues that there was no institutional mix in Taiwan which could have implemented and sustained coherent

economic policies. He adds, “Taiwan’s economic bureaucracy was neither monolithic nor harmonious, and its steering capacity as questionable.” (Wu, 2005: 320) If so, it is understandable why, between the end of the war and the mid-1980s, Taipei’s policies failed to boost the establishment of internally competitive big firms on a large scale. Nevertheless, in the 1980s, there was a clear shift in economic policy leading to the creation of the Hsinchu Science-Based Industrial Park (新竹科學工業園區) in 1980, and the establishment and success of the science park clearly demonstrated the ability of Taiwan’s bureaucracy to implement consistent policies.

Another, however, less important difference is to be found in the industrial relations, in particular, when it comes to the role played by trade unions. While trade unions’ bargaining power has been dwindling over the last decades, still they are crucial in determining income distribution patterns. According to Sarosh Kuruvilla and Christopher Erickson, Taiwan and South Korea belong to a different type of industrial relations than Japan (Kuruvilla and Erickson, 2002: 172)³. The peculiar features of Japanese industrial relations are well known and discussed in the literature. The main difference between the Japanese and Taiwanese/Korean versions of industrial relations results from the *keiretsu* (系列) system of the Japanese creating the *shukko* (出向) practice which allowed the transfer of workers within the Keiretsu group, thus increasing flexibility and stability of the system of industrial relations (Kuruvilla, Das, Kwon and Kwon, 2002: 13).

In the case of Taiwan, a strong connection between democratization and growing trade union density can be demonstrated. In 1985, the density only reached 28 percent in Taiwan, which climbed to 50 percent in 1994; however it must be considered that an insurance system was only provided to members of trade unions, so that is one of the reasons for the high union density in Taiwan.

Table 1 Trade Union Density (1980-2014)

	1980	1990	2006	2010	2014
Korea	16	17	10	10	n.a.
Japan	31	25	18	18	18
Taiwan	26	49	36	n.a.	n.a.

Sources: International Labour Organization (ILO) database, Organisation for Economic Co-operation and Development (OECD) data.

The same indicator in South Korea is definitely the lowest among these three countries. This can contradict presumptions since, as we can see, the share of industry is the highest one in this country group. The contradiction is clear when one considers how much easier it is to form and operate a trade union organization if it can cover a substantial number of workers in one firm, and it represents the unified interests of these workers. That is more challenging in the services, where a much smaller number of workers per firm with more diverse interests and educational backgrounds has to be represented by trade unions. The link between democratization and growing union density could also be witnessed in South Korea in the 1990s; however, union density was never as high as in Taiwan. After the 1990s, in all of these countries, “servitization” of the economy led to a decline in trade union density and diminished the bargaining power of these organizations. The last data accessible in the case of Taiwan is from the year 2006. That year, the trade union density was 36 percent, which was almost double the OECD-average. Trade unions might not be the only causes of the equal income distribution in Taiwan, but they have definitely contributed to this positive picture.

1.2. The China Factor

Industrial states of the 19th and early 20th centuries (US, Germany, Japan etc.) built up their own industrial bases while relying on their domestic markets. In the late 20th and 21st centuries, economies of scale do not allow for this strategy: every latecomer has to find its niche in the global supply chain. So, industrialization of these countries has been linked to internationalization, and building regional/global supply chains. That is why the late industrialization of China – without any exaggeration – has changed the entire region. The process has altered the main patterns of manufacturing, not only in Asia, but in the world economy as well. Based on manufacturing output, China alone accounts for more than one fifth of the production of the world (22.2 percent in 2012). The United States ranks second on this list, with Japan in the third place (Meckstroth, 2014).

The economy in Taiwan fully used chances to cooperate with China. Taiwan has a highly developed economy. For the time being, Taiwan's economy is the size of the Belgian economy (US\$490 billion in 2014). But, adding the performance of Taiwan firms operating in China, "Chiwan"⁴ generates around US\$700 billion, which equals the size of the Turkish economy, or that of South Korea. There are also estimates regarding the Chinese workforce working in Taiwan firms. These calculations range from 13-15 million to 20-23 million workers. The last figure is roughly equal to the entire population of Taiwan (Lee-Makiyama and Messerlin, 2014: 3).

The future of Chinese economic development, and the catching-up process, seems to be more opaque than ever, as the recent slowdown of the Chinese economy reveals fundamental problems which economists usually summarize with the term "middle-income country trap". This refers to scores of problems which fast-growing economies face when they can no longer base their development on cheap wages. As a result

of successful modernization and industrialization, incomes have risen significantly in China, in particular along the coastal regions. But due to higher wages, this economic model will not be tenable in the long run, which is why new competitive advantages must be sought. The shift to a new model accompanied by deep structural changes in the economy, with more emphasis on the service sector and a higher added value, is not an automatic process; there is no guarantee of success. Because of these challenges, Taiwan's reliance on China as a broad industrial base has already changed, and the new situation requires strategic decisions be made in Taipei.⁵

The dependency on the Chinese economy is significant and outstanding in the Taiwanese economy. In 2014, 16 percent of Taiwan's output and 26 percent of the exports were generated due to the very close economic ties with China. In the literature on economic integration, it is a widespread consensus that the possibility of influencing political decisions and willingness to cooperate significantly increases when export to the partner exceeds more than 10 percent of the aggregate exports. That is clearly the case in Taiwan. Similar features can be seen in the two other countries; however, the scale of Japanese dependency is more limited, and the Korean reliance on the Chinese economy is not constrained by diplomatic isolation of the country as in the case of Taiwan.

Table 2 China Dependence

	China's share in the GDP	China's share in the exports
Japan	3	19
South Korea	11	25
Taiwan	16	26

Source: Author's own compilation.

1.3. Privatization

Another field, where political fears dominate the agenda, is the privatization process. As in many European countries, liberalization and privatization of public-owned enterprises took off in the 1990s. Despite this general trend, even today, there exist limitations on foreign ownership. “In its 2015 Investment Climate Statement on Taiwan, the US Department of State also underscored stalled progress on the privatization of state-owned enterprises (SOEs) and foreign ownership caps in the telecommunication, television, and transportation sectors as weaknesses in Taiwan’s investment climate” (Rosier, O’Connor and Cuevas, 2016: 20). As Table 3 demonstrates, limitations on direct foreign ownership are widespread in South Korea. There are 3 subsectors where foreign direct investments are prohibited, and 29 sectors are partly limited, whereas these foreign ownership limitations do not reach this scale in Taiwan, and in Japan.

1.4. The Size of the Firms

The other obvious difference among these countries – often reflected in the literature – is that Taiwan firms are smaller than those of South Korea and Japan. The significance of this can be seen in Taiwan’s weakness in creating global brands, but maybe more importantly, the capital which stands at the disposal of these firms is more limited. This might be one of the reasons why expenditures on research and development are significantly lower than those of Japan and South Korea, since with research and innovation, the amount of invested capital, and thus the firm’s size, matters.

Despite being small, firms in the Taiwanese economy have been competitive on international stage in the last four decades.

Table 3 Limitations on Direct Foreign Ownership in Taiwan, Japan and South KoreaSouth Korea

Completely closed	Nuclear power generation Radio broadcasting Television broadcasting
Partly, not more than 20 percent	News agency activities
Partly, not more than 30 percent	Hydroelectric power generation Thermal power generation Other power generation Publishing of newspapers
Partly, not more than 49 percent	Satellite and other broadcasting Program distribution Cable networks Wired telephone and other telecommunications Mobile telephone and other telecommunications Satellite telephone and other telecommunications Other telecommunications
Partly, not more than 50 percent	Farming of beef cattle Inshore and coastal fishing Transmission/distribution of electricity Wholesale of meat Coastal water passenger transport Coastal water freight transport Other support activities for air transportation Publishing of magazines and periodicals International air transport Domestic air transport Small air transport

Table 3 (continued)Taiwan

Not more than 40 percent	Cable television broadcasting services
Not more than 49 percent	High-speed rail services Airport ground services, airlines
Not more than 60 percent	Wireless and fixed line tele-communication

Japan

Not more than 22 percent	Broadcasters
Not more than 33 percent	Nippon Telegraph and Telephone

Source: U.S. Department of State, 2016.

Ernst summarized (2000) a few important features of the Taiwanese industrial policy, which distinguish it from the Japanese and Korean policies:

1. Any domestic firms can enjoy tax and other privileges, thus there are no limits on the number of firms within an industry.
2. No discrimination against smaller firms within the SME sector.
3. Equal treatment was given to foreign investments with exception of a few sectors.

4. Up to the 1980s, directed credit played a less important role in Taiwan than in South Korea and Japan; however this policy changed and more and more firms could enjoy the benefits of cheap credits (Ernst, 2000: 7).

Wan emphasizes that firms in Taiwan are less willing to borrow money from capital markets and as a result they are less vulnerable to financial shocks (See, e.g., Asian crises of the late 1990s) (Wan, 2008: 201). As the backbone of the Taiwan economy consists of small and medium-sized enterprises (SMEs), reduced exposure of SMEs to external funding enhances financial stability on a macroeconomic level.

According to Wu, the dominance of these small and medium-sized enterprises (SMEs) can be traced back to “Taiwan’s dual market structure” (Wu, 2005: 325). He explains this duality the following way: “We need to distinguish between two different marketplaces. The first market consisted of the upstream and intermediate-stream industries in which SOEs and LEs operated. The second market was the downstream industries dominated by the SMEs. The state governed the first market while leaving the second to market forces”⁶ (Wu, 2005: 329). Operating in an environment shaped by market forces gave the advantage that Taiwan’s success depends less on state economic policies, since the bulk of the country’s success was created by small and medium-sized enterprises.

However, the picture is less positive if looking at corporate debt (bonds and credits) generally. The ratio of corporate bonds in percent of GDP is still limited, but the size of corporate bonds and loans in percent is higher than in Japan or South Korea.

Table 4 Corporate Debt in percent of GDP (2013)

	Corporate bonds	Syndicated loans	Corporate debt
Japan	1.72	5.54	7.26
South Korea	4.30	1.19	5.49
Taiwan	2.77	5.70	8.47

Source: IMF (2014: 38).

2. Links to the World Economy

2.1. Foreign Direct Investments

In many countries, industrialization is linked to foreign direct investment (FDI) inflows. Poor and middle-income Asian countries are to be characterized by FDI-led industrialization while Japan, Taiwan and South Korea based their development on domestic savings. These countries have been the main sources of foreign direct investments for these developing Asian nations as well. Between 1990 and 2014, Japan, Taiwan and South Korea were net FDI investors; most of the FDI was directed into China, Thailand and the Philippines.⁷ As a result of FDI-led industrialization, the regional division of labor has changed. Over the last few decades, de-industrialization has characterized FDI exporter countries (Taiwan⁸, Japan, and South Korea), while industrialization has only speeded up in the net FDI importer countries.

When it comes to firm strategy, outsourcing is clearly a more integrated part of the firm strategy. In Japan and Taiwan, net FDI outflows in percent of GDP are significantly higher (3.17 in Japan and 2.36 in Taiwan in 2015). That is another clear fault-line among the countries in question: they reorganized their economies after the Asian crisis using very different strategies. South Korea has been relying more

Table 5 FDI between 1990 and 2014 (US\$ million)

	Net FDI	FDI outflow	FDI inflow
Japan	1198111	1320724	122613
Hong Kong SAR	153581	1041120	887539
Taiwan	107234	169892	62658
South Korea	102726	280568	177842
Malaysia	-1398	142159	143557
Macao SAR	-23150	2014	25164
Philippines	-23216	20197	43413
Thailand	-84132	58955	143087
Indonesia	-85514	58239	143752
Singapore	-266586	334149	600735
China	-926521	662540	1589061

Source: Author's own compilation based on UNCTAD World Investment Report 2015.

on inbound investments than Japan and Taiwan, which means that Korean firms have chosen another strategy besides FDI in order to enhance competitiveness. Differences between GDP and GNI⁹ show these trends; the GDP of Japan and Taiwan are significantly lower than GNI,¹⁰ while the aggregate value of the GDP is higher than the GNI in South Korea.

The composition of GDP also shows significant differences in this country group. South Korea is still one of the countries where manufacturing is relatively important, whereas in Japan and Taiwan, industry's share in GDP is very moderate. This finding is in line with the outsourcing strategy of the domestic firms in Japan and Taiwan, which

leads to a de-industrialization process in these economies and more and more investments abroad.¹¹ The process is often described as the “hollowing out” of the economy (Hsu and Liu, 2004: 13); however it must be clear that along with this process domestic firms are moving up the added value ladder. As John Berthelsen puts it: “don’t bet against Taiwan. The 1970s and 1980s were regularly punctuated by the same warnings about the US economy as industry after industry moved its assembly facilities to ever-cheaper free-trade zones overseas, most of them in Asia. Then an undeniable explosion occurred in US innovation and suddenly manufacturing didn’t matter that much anymore” (Berthelsen, 2003).

Table 6 Structure of GDP and Distribution of Employment (2014)

	Agriculture		Industry		Services	
	GDP share	Employment share	GDP share	Employment share	GDP share	Employment share
Japan	1.2	3.7	25.6	25.8	73.2	69.1
South Korea	2.5	5.7	38.1	24.6	59.5	69.7
Taiwan	1.7	4.9	32.8	36.1	65.6	58.9

Source: *Taiwan Statistical Data Book 2015*.

As we can see above, the different internationalization strategy of Taiwan firms is clearly expressed in the astounding difference of GDP and GNP. Although Taiwan is one of the developmental states of Asia, it is clear that it can be characterized by less powerful or more flexible policies than its Japanese or Korean counterparts. This flexibility and

different firm structure might also have been explanatory factors of a greater openness of the economy.

2.2. International Trade

Based on the trade-to-GDP ratio, Taiwan had a more open economy in 2015, while Japan obviously had the least open economy in this group. South Korea clearly demonstrated a greater openness with regard to trade. However, this indicator also implicitly includes the size of the economy, since it is usually easier to rely more on domestic products if the supply is greater. If another indicator is used – the general average tariff levels – South Korea is the country in the group to be characterized with protectionist trade measures and Japan seems to implement the most liberal trade policies. In both cases, Taiwan ranks in second position.

Table 7 Trade Openness of the Country (2015)

	Japan	South Korea	Taiwan
Total trade to GDP	38.54	85.09	119,70
Total export to GDP	18.63	45.26	65.35
Merchandise exports to GDP	15.16	38.23	54,56
Services exports to GDP	3.48	7.03	10.79
Total import to GDP	19.91	39.83	54,35
Merchandise imports to GDP	15.73	31.68	45.41
Services imports to GDP	4.18	8.15	8.94

Source: Author's own calculations based on WTO data.

But before looking at other indicators of trade openness, it is worth having a short historic overview of trade policies of Japan, Taiwan and South Korea, since historically, relatively liberal trade policies of the region have only been products of the last three decades. After World War II, trade policies were protectionist. Each country had a phase of import substitution after the war.¹² Only after the import substitution period did export-led growth and later liberalization of the markets become aspects of economic policy.

- Japan switched to an export-led growth path in the 1950s. The government heavily protected domestic market players by implementing non-tariff barriers. Special vehicles of external trade were set up, the “general trading companies”, that attempted to identify market niches of the world market which could be targeted. Among scholars, there is a broad agreement that the Ministry of International Trade and Industry (MITI) had a very strong role in directing the economy and in giving the right export incentives.
- Taiwan followed the example of Japan very early on. Along with export-promotion measures, the first export processing area of the country was set up in Kaohsiung in 1966, so the country’s comparative advantages could be utilized in textiles and other industrial sectors. In the area, three zones – a free trade zone, a duty free zone, and an industrial park – were integrated, thus providing a new economic model for the world (see more details in Karalekas, 2016: 77-96, and Csáki, 2016: 123-146).
- South Korea introduced export-oriented policies after 1961. In contrast to Taiwan, the South Korean government did not set up state-owned enterprises to lead the export boom. Instead, it promoted the establishment of the so-called national champions, which as flagships of the country’s economy, could lead the modernization of the

economy. However, government control of the economy was stronger than in Taiwan, because subsidized long-term loans, along with other measures of export promotion, enabled the government to set strict export targets.

The phase of liberalization started in the 1980s and it cannot be disconnected from the rapid development of the legal framework brought about by GATT (General Agreement on Tariffs and Trade) and WTO (World Trade Organization) rounds. As table 8 demonstrates, there are clear differences among the countries in question.

- Japan, as the most advanced country of the region, has the lowest average and most favored nations tariffs (MFN) in the region.
- Taiwan has a slightly higher average MFN tariffs applied than countries of the European Union (5.1 percent in 2015). This might be in line with the development of the economy (e.g., China, as a less developed economy, maintains higher levels of tariffs).
- South Korea is definitely out of line considering the development of the economy. Agricultural tariffs are significantly higher in all the countries analyzed; South Korea has the most protective trade policy regarding agricultural products, while Taiwan and Japan have implemented similar MFN tariff levels which are distinctly higher than those of the European Union (10.7 percent in 2014).

There is clearly pressure on these countries to further liberalize trade relations, since without liberalized regional and world markets, countries able to export high-tech commodities to the world markets would be compelled to reduce the output, leading to moderate or negative GDP growth. This certainly applies to Taiwan, where most of the GDP is generated by net exports. That is why it is painful for Taiwan

Table 8 Average Most Favored Nations Tariffs (2015)

	Total	Agriculture	Non-Agriculture
Japan	4.0	12.9	4.5
Taiwan	6.4	15.9	4.8
South Korea	13.9	56.8	6.8

Source: WTO database <https://www.wto.org/english/tratop_e/tariffs_e/tariffs_e.htm>.

Table 9 Global Trade Enabling Index (Rankings, 2016)

	Composite indicator	Market	Border administration	Infra-structure	Operating environment
Japan	16	113	11	4	14
South Korea	27	99	28	10	47
Taiwan	35	125	33	17	27

Source: World Economic Forum (WEF), 2016.

businesses that the country could not benefit very much from the emerging new regional trade agreements of the last decade, since the countries involved in negotiating regional trade agreements¹³ clearly aim to surpass the level of liberalization enabled by WTO rules.

Another indicator to measure the level of trade liberalization is the Global Enabling Trade Index, published every year by the World Economic Forum. It is a composite indicator, a compilation of individual

indicators into a single index. These figures capture different dimensions of trade policy: market access, border administration, infrastructure, and operating environment. According to the 2014 Report, Japan has adopted the most liberal trade policy in this group of countries, since it performs very well on six of seven indicators, but it still scores poorly when it comes market access for its exports.

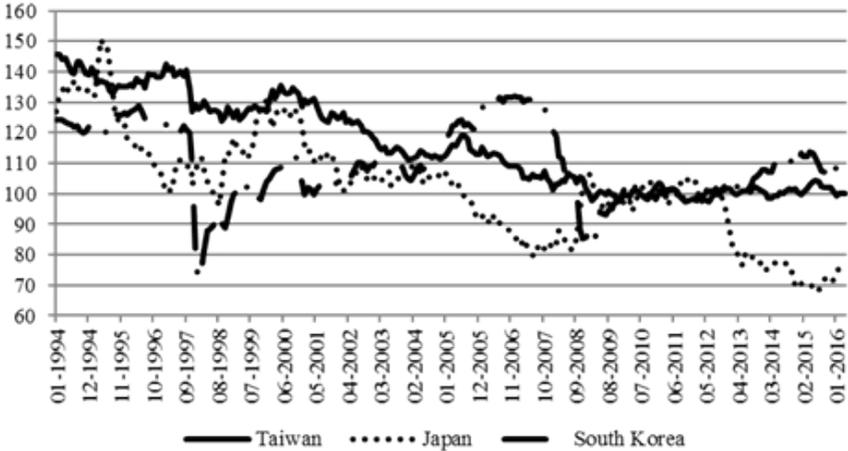
South Korea, which ranks 35th, has a very uneven performance in addition to a weak market access performance. “Various aspects of the institutional framework, from red tape to the judiciary, as well as the access to finance (82nd), and the inward-looking nature of certain regulations, remain problematic” (WEF, 2014: 20).¹⁴ But the strong port infrastructure, efficient border administration and connectivity partly offset extreme high tariffs, in particular agricultural tariffs. Among the three countries, Taiwan has the weakest position, mainly due to problematic factors for export and import where there remain trade barriers and tariffs.

2.3. Exchange Rate Regimes

In Figure 1, it is easy to follow that cautiousness coupled with a slow but determined weakening of the currency has characterized Taiwan’s exchange-rate policy between 1994 and 2016, in contrast to the two other countries where sudden changes in the effective exchange rates can be traced back to policy alterations and external economic shocks. Between 2012 and 2016, there is a clear depreciation of the Japanese currency, which mirrors Japanese policy efforts. In the same period, the effective exchange rate of the Korean Won seems to have been more influenced by external factors than was the New Taiwan dollar.

In Taiwan, there are no restrictions on capital movements linked to trade and services, which could trigger sudden change in the exchange rates. However, remittance of capital invested in Taiwan must be

Figure 1 BIS Real Effective Exchange Rate (real CPI-based, broad indices)



Source: Author’s own compilation, based on the database of the Bank for International Settlements.

reported to the Investment Commission (Ministry of Economic Affairs), and the Central Bank of Taiwan can require the transaction to be scheduled. This policy can have a mitigating effect on these changes.

In contrast to Taiwan and South Korea, Japan only maintains an ex-post notification system for foreign exchange transactions, but it is rather formal, since “Generally, all foreign exchange transactions to and from Japan – including transfers of profits and dividends, interest, royalties and fees, repatriation of capital, and repayment of principal – are freely permitted” (U.S. Department of State, 2015a, 2005b).

Taiwan’s limitations or brakes on foreign exchange transactions and capital movements can be explained by cautiousness: a lesson learned in the Asian crisis. As Thorbecke and Wan quote K. T. Li, stability with growth is the most integral element of the Taiwan model: “As K. T. Li,

the chief architect of Taiwan's economic policy, once remarked, the Taiwanese government would always opt for greater stability, even if it meant foregoing, sacrificing, an additional 2 per cent in annual growth" (Thorbecke and Wan, 2007: 55).

Figure 1 also demonstrates that a weakening of the policy is an integral element of Taipei's economic policy.¹⁵ Stability – often coupled with pragmatism – led to a very cautious exchange rate mechanism, Ranis emphasizes: "... Taiwan generally showed greater flexibility towards prices, including the exchange rate regime, with gradual devaluations preceding the actual crisis by several years" (Ranis, 2007: 52).

Present differences in attitude to foreign exchange transactions can be showed in the past; historically, Japan, Taiwan, and South Korea have all put a strong emphasis on exchange rate policy, which clearly contributed to maintaining regional competitiveness, and to the export boom of these economies.¹⁶

- Japan has had the most liberal exchange regime among the regional competitors over the past decades. When in 1971 Nixon announced that the US dollar would not be convertible into gold, Japan immediately switched to a managed floating system. However, free floating exchange systems were legalized only in 1975, at the Jamaica conference of the International Monetary Fund (IMF). During the late 1970s and early 1980s, the Japanese Yen was under appreciation pressure; the Plaza Accord adopted by the United States, Germany, the United Kingdom, and Japan triggered a new wave of appreciation of the Yen in 1985, which probably contributed to the Japanese property bubble in 1991 and the subsequent slowdown of economic growth. Since then, Japanese monetary policy has attempted to depreciate the Yen several times. (e.g. after the Asian financial crisis, and after the

Global Financial Crisis). The new Japanese economic policy (Abenomics) has also included depreciation of the Yen.¹⁷

- After a currency reform in 1949, the Republic of China (ROC) government devalued the New Taiwan Dollar (TWD) in 1950-1951. After maintaining this exchange rate in the 1960s, and in the early 1970s, the TWD's exchange rate was much less influenced by the government's decisions, since after dismantling the Bretton Woods system, exchange rates of capitalist countries became determined more and more by market forces. A foreign exchange market was established, and a managed floating rate system was introduced in 1979, then a new wave of liberalization took place in 1989. Since then the most long-standing element of monetary policy has been the depreciation of the domestic currency in order to improve competitiveness.
- In the 1950s, a multiple exchange system was implemented in South Korea. The currency had an overvalued official rate and a more realistic exchange rate, in which trade transactions could be conducted. However, after the military coup in 1961, the currency was sharply devalued and a unitary exchange rate was introduced. In 1965, South Korea pegged its currency to the US dollar. Between 1971 and 1980, the currency depreciated several times. This regime was replaced by a multiple currency basket system in 1980. Not until 1990 was the so-called market average system introduced, which determined, "the exchange rate against the US dollar within a specified range around the weighted average interbank rates of the previous day" (Nam and Kim, 1999: 236). South Korea officially adheres to a "free float" regime, but official interventions are not excluded.

As we can see, these countries have clearly opted for a more cautious liberalization of their financial markets than is usual in

advanced economies; however, there are still clear differences among them. Japan has the most liberal attitude and South Korea has implemented the most restrictive policies regarding exchange rate transactions, foreign exchange investments, and foreign ownership.¹⁸ If one wanted to note some of the characteristics of Taiwan's exchange policy, which created a favorable macroeconomic environment, cautiousness and predictability would be the key words.

3. Financing Issues

3.1. Savings and Investments

Significant amounts of savings are needed to invest into the economy in order to achieve rapid growth rates; therefore, one of the most emphasized features of Japan, South Korea and Taiwan is large savings. In contrast to the Anglo-Saxon world, stock exchanges are not the most important elements of funding in the region. Savings are channeled via banks to the firms in this model. The same funding form can be found in Western and Eastern European countries as well.¹⁹

High savings rates are not only crucial in achieving robust growth, but they are essential in maintaining stable growth. The Asian financial crisis of 1997-98 vividly demonstrated how vulnerable countries can be when solely relying on external funding (see e.g. Thailand²⁰). After having drawn the lessons of the Asian crisis, South Korean and other Asian policy-makers began focusing on financial exposure more intensively, and as a result of this policy change, most of the Asian countries were able to change the growth model, less relying on external financing.²¹ Savings today exceed investments in the region which makes economic development less vulnerable. In 2015, Singapore and Taiwan were the countries in the country group where net domestic saving rates (savings-investments) were the highest in the region.

Although China had the second-highest rate of savings in the region, it still invested 44 percent of its GDP; hence net savings are moderate.

Table 10 Savings-Investment Gap (percentage of GDP)

	1980	1985	1990	1995	2000	2005	2010	2015
China	-2.2	-4.8	4.7	2.5	1.7	5.8	3.9	3.1
Hong Kong	-1.0	9.2	8.5	-2.9	4.4	11.9	7.0	2.2
Indonesia	-11.5	-17.5	-19.4	-8.5	-0.2	-5.0	0.7	-2.2
Japan	-1.3	3.5	1.2	2.1	2.8	3.7	4.0	3.0
South Korea	-10.5	-2.1	-0.9	-1.8	1.9	1.4	2.6	7.1
Malaysia	-5.1	-6.1	-6.8	-9.1	8.4	14.0	10.1	2.2
Philippines	-16.9	-5.4	-5.5	-2.4	-2.8	1.9	3.6	5.0
Singapore	-13.2	-0.1	8.0	16.4	10.6	21.9	23.7	20.8
Taiwan	-2.0	14.4	6.4	1.8	2.6	5.4	9.5	12.4
Thailand	-8.8	-4.8	0.0	-7.8	7.8	-4.0	2.9	6.2
Vietnam	-2.0	-6.3	9.2	-12.7	2.7	-1.0	-3.8	0.7

Source: Author's own compilation based on IMF data.

As mentioned previously, if savings are compared to investments in a regional context, the large maneuvering room available to Taiwan is clear. However, beyond this clear difference there lies a different economic strategy of Taiwan, which has invested its surplus savings in an increasing scale in China after 2000, and not in the domestic economy.

One cannot be surprised, when looking at the literature on Taiwan's economic strategy, that economic dependence on China has often been featured as a potential threat.²² This trend cannot only be verified by the

amount of FDI directed to China, but also the (domestic) investment ratio to GDP. Between 1980 and 2015, Taiwan had the lowest average annual investment ratio to GDP among these countries. (20.77 percent) During the same period, Japan's investment ratio to GDP was 22.77 percent, and South Korea had a higher investment ratio (28.48 percent) than Taiwan.

Still, substantial savings provides decision-makers in Taipei with the freedom to choose the most appropriate economic policy. This freedom of policy is guaranteed by considerable foreign reserves as well. By end of January 2017, Taiwan's foreign reserves (436 billion USD), measured in percent of GDP, hit 84 percent, compared to 31 percent in Japan, and only 27 percent in South Korea. This freedom is enhanced by two additional factors: (1) the relatively low public debt and (2) the low tax and other revenues to GDP ratio.

1. Between 1995 and 2015, South Korea accumulated on its gross public debt significantly. The same applies to Japan, which doubled its debt. Only Taiwan pursued a more moderate policy, where the general gross debts to GDP ratio only reached 36 percent in 2015.
2. Taipei's economic policy has the most maneuvering room in the future by having by far the lowest taxes and other revenues to GDP ratio in this group. Taiwan's 15.6 percent is one of the lowest among advanced countries; only Singapore (15 percent) can keep up with Taiwan. Japan (35.8 percent) and South Korea (21.7 percent) lag well behind Taiwan.²³

There is no real agreement among scholars on the salience of savings for growth. Some of them argue that a long capital accumulation process proceeds to a rapid growth period. Others contend that rapid growth is needed first, which later enables the population to save. The

Table 11 General Gross Public Debt to GDP

	1995	2015
Japan	109	248
South Korea	10	38
Taiwan	25	36

Source: IMF data.

first school of thought is well in line with the backwardness model of Gerschenkron who emphasizes the importance of capital accumulation and the theses of Marxian economics.²⁴ However, looking into the data from Taiwan, there is no real time-difference between the pickup of growth and the increase in savings. Wu argues that economic growth was the first step, which could be followed by high savings rates, because most of these countries first had to tackle high inflation rates of the post-war period, only afterwards the business environment became favorable for savings (Wu, 2008: 280-282).

After looking at the saving and investment patterns of these countries, the question arises as to what elements of the financial institutional framework encourage domestic savings to that extent. The next chapter attempts to compare Taiwan regarding its financial sector to other Asian countries.

3.2. Banks and Stock Markets

In the financial mediation, stock exchanges are less important in the region than in the United States or the United Kingdom. Aside from the financial centers of the region, Taiwan has had the most developed stock

Table 12 Market Capitalization (percent of GDP)

	2005	2014
Hong Kong	581.0	1111.4
Singapore	202.0	244.5
Taiwan [#]	178.8	182.45
Malaysia	125.8	135.8
Japan	100.0	95.1
Philippines	38.6	91.9
South Korea	79.9	86.0
China	17.7	58.5
Indonesia	28.5	47.5

Source: Author's own compilation based on World Bank database.

[#] Data from National Inflation Association.

market. The capital market is deep and active, and there are no restrictions on foreign ownership except in the sectors already mentioned (U.S. Department of State, 2015b). In contrast to Taiwan, Japanese company managers still have a negative attitude toward foreign portfolio investors, but in recent years there are signs of change as well. In South Korea, the aggregate foreign portfolio investment ceiling was abolished in 1998, and since then, investors have good access to the stock market.

Despite opening to private investments, Taiwan tightly regulates its banking sector. "Over the past decade, 9 state-owned banks have been privatized. The only Taiwan-based reinsurance company was privatized in 2002. Banks that have some form of state ownership or control,

including the 3 remaining banks wholly owned by the state, dominate Taiwan's banking sector and hold a market share of nearly 50.4 percent as of December 2014" (U.S. Department of State, 2015b).

Another important feature of the Taiwan banking sector is its growing dependence on China. At the end of 2015, around 15 percent of the assets of Taiwan's banks were held by offshore banking units and overseas branches. According to Fitch estimates, around 7 percent of the Taiwan banking sector is exposed to China, which reveals deep connections between the two economies.²⁵ In the Japanese and South Korean banking sectors most of the banks are privately owned.²⁶ Banks belong to the open sectors, which means there is no ceiling on foreign ownership in the banking sector.

The relatively liberal policies in the banking sector and in the stock markets are results of a long period of development. After WWII, banks all over the world were more restrained by state regulation and the Bretton Woods system itself, in which convertibility of currencies was the exception, rather than the rule.

4. Conclusions

Although Taiwan is a developmental state with strong capabilities in enforcing strategies and policies of the state, it is still a country which has implemented a flexible and cautious attitude to economic development policies and techniques over the last few decades. These two different sides are tied together by a pragmatism which is not distorted by theoretical considerations and economic or political ideologies. The pragmatic approach has contributed to a successful policy-mix, which must be adjusted to a new environment in the new world economy and world politics in 2017. The very obvious reason for this adjustment is the change in the world politics, in which the Asia-

policy of the new American administration is still not clear. Besides that, the Chinese economic slowdown and the structural change in the Chinese economy have already forced a rethinking in Taiwanese economic policy which intends to shift Taiwanese economic activities southward in terms of trade and direct investments, though it is clear that adjustment will take place slowly.

As we could see in the paper, the firm structure in Taiwan is based more on small and medium-sized enterprises than the Japanese and the Korean model. Copper contends “Japan and South Korea, however, have far more large companies and more heavy industries than Taiwan. Hong Kong and Singapore, also high-growth countries, have almost none” (Copper, 2013: 177). The SME-based firm structure has two consequences: a more limited need and ability for capital accumulation at the firm level, and a stronger need for state incentives to save in private households. The downside of this otherwise highly efficient firm structure is that, compared to the size and developmental level of the economy, the weakness of Taiwan’s own global brands is apparent, which is a strategic disadvantage. However, the country does not have to face financial challenges, since domestic savings are more than sufficient, and the gap between savings and domestic investments is the highest in the region. Surplus savings have been invested more and more in China after the turn of the millennium, in order to leverage the comparative advantages of China. With the slowdown of the Chinese economy, this strategy faces challenges:

1. The need for adjustment of the Chinese economy is only partly caused by external circumstances. Much of the problem can be traced back to slowly but clearly growing wages, which forces Chinese economic policy-makers to find new comparative or competitive advantages. This is also the reason why Taiwan investments must be more and

more diversified in the region and in other parts of the world. The New Southbound policy attempts to find answers to this problem. The overall and long-term goal is “Foster links between Taiwan and the nations of ASEAN and South Asia as well as New Zealand and Australia in the areas of economic and trade relations, science and technology, and culture; share resources, talent, and markets; and create a new cooperation mode that seeks mutual benefits and win-win situation. By these undertakings, we seek to forge a ‘sense of economic community.’”²⁷ The main question arising in the context is: Since these efforts have been thwarted by the diplomatic isolation of the country up to this point, what kind of policy incentives can be created to achieve change in the economic activities? For the time being, the only open gateway to the world economy is through the Economic Cooperation Framework Agreement (ECFA), but this again leads to China. Although Taiwan investments are welcomed everywhere, One-China policies clearly hinder trade with other regions, since most of Taiwan’s exports are regulated by the WTO, and aside from China, Singapore and New Zealand, there are no comparative economic agreements with import partners (such as the United States and the European Union) which would help Taiwan’s exports.

2. From this, there are two important conclusions to be drawn: to diversify its trade and investment relations, Taiwan needs a more proactive approach to diplomacy. Secondly, economic growth must be based more and more on private consumption, less on net exports. At the same time, Taiwan needs a tech upgrade of the economy and substantial investments in education, renewable energy sources, and infrastructure – mainly those addressing the problems of urbanization (air pollution, sewerage, etc.).

When it comes to future economic issues, Berger and Lester emphasize the threats of the Japanese path. Japan did not change its strategy when it had been necessary in the early 1990s, facing a slowdown. Japan created big internationally competitive firms, and at the same time it protected small businesses. This policy resulted in a dual economic structure, in which investments in other Asian countries were preferred over domestic reforms. The Japanese embedded mercantilism²⁸ embodies a model where interests of large firms overwrite those of small firms and the majority of the population (Berger and Lester, 2005: 27).

South Korea clearly tried to avoid this trap by relying much more on domestic economic development; however, there is a downside as well, since this policy has encouraged protectionism in South Korea, and turned the country into one of the most protected economies among the advanced countries. Protectionism is evident in policies related to foreign trade and foreign direct investments.

Taiwan has more room to maneuver than its competitors, since SMEs are the backbone of the economy, and thus economic policy cannot be based on the protection of SMEs without losing competitiveness. The Taiwan developmental state is weaker than its Japanese or South Korean counterpart, but it is more flexible in implementing policies than its competitors. Stricter rules and policies with regard to exchange rates and foreign direct investments merely demonstrate security concerns over a Chinese takeover of strategically important firms.

Recapitulating the most important aspects of Asian financing, the direction of cheap credit into favored industries has been a key element in the region. This approach can easily be found in Japan, South Korea, and Taiwan. State ownership in the Taiwan banking sector has clearly

been more intense than in Japan and South Korea. In the early stages of development, state ownership could contribute to the Asian miracle; however, the question arises as to whether the policy has turned into a counterproductive policy tool in a globalized financing environment. If you look at Japan's credit bubble of the early 1990s or South Korea in the aftermath of the Asian crisis, the answer is clear. The question thus arises as to how the need for liberalization can be reconciled with security concerns.

Taiwan also directed cheap capital into selected industries; however, the country took over many elements from the American model by relying more heavily on fundraising via the stock market than via banks. In the 1950s, most scholars concurred in the salience of low interest rates to developing countries in order to boost investments. Taiwan, however, favored raising interest rates as early as 1950, in order to give incentives to savings. This unconventional policy turned out to be highly successful; since already, in the early 1960s, domestic savings could cover the need for capital in the economy. Even in today's fiscal policy there can be found non-conventional measures, such as limitations on foreign investors in the domestic bond market, which limit the exposure of the economy to financial shocks.

In other words, Taiwan's specialty has been a cautious, pragmatic but in some aspects unconventional, economic policy, which has clearly been different from that of Japan and South Korea. On the one hand, this economic policy has been able to rely on strong small and medium-sized enterprises and on substantial domestic savings, reinforcing stability and the freedom of economic strategy and planning. On the other hand, political constraints imposed by the One-China policy and by the diplomatic isolation of the country have thwarted this economic policy. The potential threat looming over Taiwan's economy comes from a strong dependency on China and the difficulties of reshaping the

international economic strategy since this was based on Chinese business opportunities in trade and investments.

Notes

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1. Among scholars there is no agreement on the efficiency of Japan and South Korea in industrial policies. Marcus Noland argues: “A comprehensive review of the evidence suggests that the growth-accelerating impact of industrial policies was modest. So why would policymakers consistently intervene in ways that apparently did not do much to enhance welfare? One possible answer is that policymakers simply did not get their interventions right. Another is that the interventions were largely determined by political competition among self-interested groups, as in the case of Japan where more than 90 percent of on-budget subsidies for decades went to the declining agricultural and mining sectors – rather than the emergent high-technology sectors of popular lore.” (“Marcus Noland: Asian model of industrial policy unlikely to drive growth in other developing countries” <<http://www.piie.com/publications/newsreleases/newsrelease.cfm?id=89>>, 2003.)

2. China does not fit into the developmental state paradigm, since the state still dominates major sectors of the industry, but in contrast to Japan, it gives clear incentives to foreign firms to invest in China. According to Gao, “SOEs still make up a substantial part of the national economy – roughly controlling 30 percent of the total secondary and tertiary assets, or over 50 percent of total industrial assets” (Gao, 2010). Fluctuations in Chinese industrial policy can be observed in this case as well. The 1980s, when after adopting the joint venture law, foreign firms were often treated better than domestic ones, was entirely different from the period after the financial crisis (2008-2009) when support for state enterprises boosted the economy.
3. Kuruvilla and Erickson argue that there are 6 different types of industrial relations systems in Asia.
4. The term “Chiwan” refers to added value generated by Taiwanese firms in Taiwan and China.
5. The other part of the difficulties derives from the political institutions of China. Minxin Pei connects the problem of political institutions to economic challenges: “The absence of a competitive political process and a free press in China makes these high-risk sectors even more susceptible to fraud, theft, kickbacks, and bribery” (Pei, 2007: 3). Mary Gallagher states that in fact the Chinese liberalized economy does not necessarily lead to a less authoritarian political rule (Gallagher, 2002: 340). Although successful countries tend to be democratic ones, (limited) liberal economic regimes can be found even in non-democratic countries.
6. SOEs: state-owned enterprises; LES: large enterprises.
7. To provide a rationale to Hong Kong’s special status, we have to bear in mind that most of the Hong Kong FDI is, in reality, from somewhere else. FDI sometimes stems from China, and the capital is only reinvested in order to take advantage of the investment incentives provided by China. (Graham and Wada, 2001: 2.)

8. While in 1983, manufacturing accounted for 42.80 percent of Taiwan's GDP, this ratio decreased to 29.80 percent in 2012.
9. GDP expresses the value produced within a country, while GNI includes GDP and the income received from other countries as well.
10. In 2014, Taiwanese GNI was US\$21 billion higher than GDP. The same difference was US\$45 billion in Japan, while in South Korea GDP was higher than GNI – the difference being US\$45 billion.
11. After 2000, Japan and Taiwan began relying more and more on outbound investments, and domestic firms reallocating their production into China have improved their competitiveness. As a result of this internationalization strategy, Japan and Taiwan invested 11 percent of the gross fixed capital formation abroad in the form of foreign direct investments in 2014, while South Korea's international investment position was much weaker, only reaching 3.5 percent of the gross fixed capital formation. On the other hand, trade dependence of Taiwan's economy on China is far greater than that of Japan. Based on the calculations of the Yuanta-Polaris Research Institute of Taiwan, exports to China made up 15 percent of GDP in 2014, while the same number was 2.48 percent in Japan.
12. The idea behind import substitution was to build up an own-broad industrial base and to just import goods and services that the domestic companies were not able to produce or provide. Based on this policy, many countries attempted to catch up with the West (former socialist countries, Latin American countries). However, only those countries (Japan, Taiwan, and South Korea) could complete this process, which changed from import substitution to an export-led strategy. For the failure of import substitution policy, there are plenty of examples to be found in the former socialist countries of Eastern Europe. These failures cannot only be explained by the inherent problems of centrally planned economies, since Latin American countries using the same recipe had a more or less free market

system. On the other hand, China had a centrally planned economy; however, the country has so far managed its catching-up process. While Wu argues that only structural reforms implemented by a strong state can provide a reason for the success of the East Asian countries (Wu, 2005: 251), these examples show that the “state” factor alone cannot explain the success or failure of the import-substitution policy. What is more critical is whether an adequate size of domestic market can be secured.

13. For example, Trans-Pacific Partnership (TPP); Regional Comprehensive Economic Partnership (RCEP).
14. China ranking 61st globally has one of the best performance among BRIC countries; nevertheless, there is much room for improvement in every aspect.
15. These changes in the three countries have usually taken place in a low-inflation environment. Between 1994 and 2015, the standard deviation of inflation rates measured in average consumer prices was significantly lower in Japan (0.68) than in South Korea (1.34.) and Taiwan (1.07). However, between 1994 and 2015, 12 years in Japan, only 4 years in Taiwan and 0 of them in South Korea were spent in deflation.
16. After WW2, currencies of the non-socialist countries were integrated into the Bretton Woods system. The reason for the very limited exchange rate movement can be found in the set-up of the Bretton Woods system. The US dollar was at the core of this exchange rate mechanism by being the only currency which was convertible into gold. Other currencies would only move within an interval of +/- 1 percent. Despite the narrow band, the system also allowed for greater devaluations. If the country was not able to maintain the agreed-upon exchange rate mainly due to long-term balance of payment problems, it could alter the exchange rate after negotiations with the International Monetary Fund. Devaluations, for example, took place in Hong Kong in 1967, in the Philippines in 1962, in South Korea in 1954 and 1959, and in Indonesia in 1967.

17. In 2010, the reform of the economic policy (Abenomics) also included other areas of economic policy providing a comprehensive policy framework. The government has launched reforms in taxation, in investment policies to attract more foreign capital, and in employment and social policies. Despite the bond-buying programs of the central bank, a plummeting Yen, and the stimulus program, the Japanese economy is near to recession. One of the more plausible explanations is that economic reforms in the labor market, tax system, and migration policy have stalled.
18. Although China's exchange policy distinguishes itself clearly from advanced countries, there are parallels with regard to past practices of these countries: (a) pegging of the currency, (b) then a slow liberalization process, (c) restrictions on foreign portfolio-investments, (d) limitations on convertibility, (e) depreciation of the currency in order to maintain competitiveness. For the time being, China is by far the candidate with the most potential to challenge the power and influence of the American dollar. There are clear economic steps taken by the Chinese government which tend to achieve greater maneuvering room in monetary issues: (a) voting shares transferred from industrial economies to China on the IMF board; (b) widening the narrow band of the Yuan; (c) agreements between China and Russia to reduce the impact of the US dollar and foreign exchange risks, and (d) establishment of the Asian Infrastructure and Investment Bank, demonstrating the muscles of a new global economic power.
19. Only exceptions are Hong Kong and Singapore where the institutions of funding and saving go back to colonial rule.
20. The crisis which originated from Thailand exposed Asian countries to adverse financial shocks. Malaysia and Indonesia had to grapple with spill-over effects of the Thailand crisis, which was no surprise, since the countries had many economic features in common. It was more astounding that South Korea was also deeply hit by the devastating effects of the

crisis. Despite the fast growth pace of the economy, the country increasingly had relied on external financing in its development.

21. The same applies to the Philippines since 2002.
22. A summary of the main arguments for decreasing dependence on China's economy can be found in Katsuya (2016).
23. Based on CIA estimates (2016)
24. See the topic in more detail in de Soto (2000, pp. 36-68)
25. "Fitch: Taiwan banks' China exposures to almost double by 2016", Reuters, 23rd July 2014. <<http://www.reuters.com/article/fitch-taiwan-banks-china-exposures-to-al-idUSFit70965920140724>>
26. In South Korea, the KDB is a government-run financial group. In Japan, there are many more of this kind of institutions. Development Bank of Japan, Japan Finance Corporation, Japan Bank for International Cooperation, Okinawa Development Finance Corporation, Shoko Chukin (FUâ]-NÑ´) Bank and Japan Hounk for International Cooperation, Okinawa Development Finance Corporation, Shoko Chukin (商工中金) Bank and Japan Housing Finance Agency belong to the public financial institutions.
27. "President Tsai convenes meeting on international economic and trade strategy, adopts guidelines for 'New Southbound Policy'" (August 16, 2016). Office of Trade Negotiations, Executive Yuan, Taiwan (Republic of China). <https://www.moea.gov.tw/Mns/otn_e/content/Content.aspx?menu_id=19289>
28. It is mercantilist because economic growth is based on the dynamism of exports, whereas sectors producing non-tradable goods and services are protected.

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China and Soft Power: Building Relations and Cooperation

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Abstract

This paper provides a theoretical approach on how the shifting global order is shaping international relations, and how China wields soft power to alter its image from a “threat” or “the manufacturer of the world” towards a “peaceful rise”. Its recent economic growth enabled China to become a regional leader and a prominent actor in international affairs, contributing to a balance of powers. This paper seeks to bring a European perspective beyond the conventional Sino-US approach. It is relevant to assess why soft power, coined by Joseph S. Nye in the 1990s, is promoted in contemporary China. States are indeed competing for a better image, have an influence on others, and are influenced by others, as a result of the circulation of goods, culture, and ideas.

Keywords: *China, soft power, strategic communication, international relations, politics*

1. Introduction: China's Place in a Context of Globalisation

People's Republic of China (PRC) and soft power represent a conundrum in international relations. China's contemporary economic growth, spanning over three decades in a globalised economy, illustrates its dramatic rise and how it can be seen as an alternative model for other developing countries. It has become the second largest economy of the world behind the United States of America (USA), despite still being classified as a developing country according to the standards set by the World Bank. As a rising power, China has become a regional leader and a prominent actor in global affairs.

Most scholars are analysing China's conflicts and territorial disputes with neighbouring countries in East Asia, or looking into China's interaction with the US in terms of economic power and policy. In terms of discussion revolving around power, which can be called "hard power", "soft power", "smart power", or "partial power", depending on authors' points of view with respect to power in general and China in particular, these analyses stand for military and economic powers. Conventional approaches tend to discuss hard power. Looking into foreign policy strategy through public diplomacy by adding culture provides an opportunity to understand what is less obvious when it comes to strength and influence: how is it possible to use some leverage by not using pure strength, through communication and image perception?

Political scientist Lucian Pye states that "China is a civilisation pretending to be a nation" (cited in Marshall, 2015), which touches upon the topics of identity or image. Soft power is a concept created by Joseph S. Nye to depict the power of influence and attraction whereby states strive to pursue their goals while enhancing their relationships and international image. Focusing on soft power appears as yet another

discussion about power, to understand the underlying power being wielded. The American foreign policy concept of soft power has travelled to East Asia, and is now meshed within a different context.

How and why does China wield a public diplomacy tool to monitor and alter its image, and manage strategic communication to disseminate its influence and facilitate international cooperation? China is seeking to monitor its image from a “threat” or “the manufacturer of the world”, deriving from military might and economic rise combined with the image of manufacturing cheap goods, towards a “peaceful rise”. China has invested in Africa and Latin America and developed institutional ties with Asian countries from East Asia to Near Asia, and is seeking to sustain diplomatic and economic bonds with Europe. This is strengthening its position in the global order.

The existing theoretical and empirical literature in international relations and foreign policy is imprinted by Joseph S. Nye’s definition of soft power. Coined in the 1990s, this concept implies the ability to shape the preferences of others through cultural attractiveness, policy and values, rather than through coercion. It has been criticised and used in a mainstream way, at the risk of making it becoming meaningless. Nye refined it in his recent work in which he discusses smart power. In a globalised economy, there is also a circulation of ideas, and soft power is now applied to non-US and non-Western countries. It relates to a liberal-constructivist approach of international relations, and to public diplomacy, as soft power is a tool of public diplomacy. There is also the work of Justin Hart, who narrates the evolution of this concept throughout the twentieth century.

Furthermore, Joshua Kurlantzick has made empirical observations regarding China’s image in other countries, and noticed how the way a nation is perceived is related to foreign policy and behaviour in providing disaster relief. This is important as, for instance, China’s

involvement with the United Nations' peacekeeping operations has contributed to giving a positive image of the country in other nations. The literature suggests that hard and soft powers are intertwined, and that the same power can be both source of deterrence and aid, when the military or the economy, traditional hard power inspiring fear or authority, become tools of welcome help for security and development. While the concepts have been used to analyse the US image and power, it becomes relevant to apply these to other nations, such as China.

Indeed, China's influence in the shifting global order is debated: there were discussions about the East Asian development template prior to the Asian financial crisis of 1997-1998, where the Western *laissez-faire* policy template was perceived as the only way to develop, until the East Asian Tigers' successful development showed that there was the possibility of a different successful model, and the global financial meltdown of 2008 illustrated weaknesses in the Western economic system. This has been referred to as the Beijing Consensus by Joshua Cooper Ramo in 2004 (Ramo, 2004; Lanteigne, 2016). Similarly to this debate, it is possible to approach power and the process of soft power from a non-Western perspective.

A lot of the literature focuses on China-Japan, or Sino-US relations for military or economic rivalry. There is a research gap in China-EU relations, especially in terms of cultural and diplomatic exchanges. I strive to bring a more European and balanced view of soft power beyond the Sino-US-centric narrative of a superpower being challenged by a rising – hard – power, by looking at other bilateral relations. I am also interested in analysing how soft power meshes into a different political context, as a concept defined in a foreign policy analysis of American democracy is wielded by an authoritarian state.

Despite its regime, China is genuinely pushing for soft power to reach similar benefits as the United Kingdom's Cool Britannia, Japan's

“Cool Japan”, and South Korea’s “Korean wave”. Notwithstanding the fact that China is aiming at becoming a superpower of culture, I argue that China will not perform this using popular culture. Indeed, this would follow Jing Sun’s statement (Sun, 2013) that popular culture would be the wrong way to approach the issue of soft power, as this factor alone cannot be a tool supporting a shift towards a positive opinion, unlike a peacekeeping operation, which has been measured by polls.

The push for a better image and international competition and rivalry have led China to seek to wield soft power to a certain extent. Furthermore, a lot of the literature tends to assimilate the fight for a better image to propaganda, especially from non-Western countries. Nevertheless, it can be shown that even an authoritarian state can wield soft power thanks to its history and culture in relation to a political agenda, but not only so.

I would argue that it is essential to go beyond the Sino-US-centric narrative which the current literature offers. Going beyond that approach and seeking to fill a research gap there, I would argue that it is also important to stay away from popular culture, which is the conventional way research is approaching the concept of soft power, especially when it comes to East Asian countries. Breslin refers to Wang noticing that few Western phrases have attracted so much interest in China, while William Callahan is in favour of building bridges between disciplines (Breslin, 2011; Callahan, 2010). Therefore, bringing China into the research field of international relations can offer a less conventional perception of the discipline and its concept, and challenge traditional Western hegemonic views of the world order.

The conceptual framework around soft power and China belongs to a combination of realist, liberal and constructivist perspectives in a context of globalisation. Political economy scholars argue that

globalisation is essentially used in the economic realm to define internationalisation and liberalisation. This combination allows the economic flow to cross borders, as countries are opened to foreign investments, thanks to fewer restrictions. Globalisation also refers to the circulation of ideas and cultural values. Shared values, ideas and culture relate to soft power.

As the world order crudely lies embedded in a set of norms, institutions, and coercive power, discussing power – as balance of powers, relational power, hard power, soft power, and smart power – can be perceived as a realist perspective. However, China's rise and power is illustrated by its regional and global integration in international organisation, its position as the world's second largest economy: it touches upon liberalism and constructivism. States are now competing for a better image and shared values to attract and influence others.

This paper firstly offers an overview of the concept of power in the international relations field, evolving around hard power and soft power. Discussing concepts from American foreign policy analysis makes this part American-centred. Secondly, the paper focuses on soft power as a tool of public diplomacy within the foreign policy field and strategy. Thirdly, the paper examines why China and soft power matter in world politics today, by explaining how the process of image dissemination is affecting international relations. Finally, this paper is touching upon a renewed competition between countries to manage their communication and image, and makes a bridge between the ancient Silk Road and the contemporary one.¹

2. Power and Influence in International Relations: Achieving Cooperation and Trust through Attraction and Incentives

Discussing soft power leads to cover hard power, and thus power more generally, to analyse how power is shaping people's behaviour, preferences, and states' policies. It can be argued that explaining soft power has common grounds with the analysis of the global economy: states are intertwined, and also are interdependent. States seek mutual stability and attractiveness to reach economic goals.

2.1. Power as the Capability to Influence Others

In traditional international relations theories, power is threefold: it is a capability, a goal, and a responsibility (Hagström, 2005: 1-24; Fukuyama, 2004: 151-159). The political scientist Joseph S. Nye crafted the concept of soft power. An early definition reads as follows: "Command power can rest on inducements ("carrots") or threats ("sticks"). But there is also an indirect way to exercise power. This aspect of power, that is, getting others to want what you want – might be called indirect or co-optive power behaviour. It is in contrast to the active command behaviour of getting others to do what you want. Co-optive power can rest on the attraction of one's ideas or on the ability to set the political agenda in a way that shapes the preferences that others express. This dimension can be thought of as soft power." (Nye, 1990: 181). Soft power is meant to shape behaviour using influence and co-option rather than force, thus achieving the same result as apparent hard power.

A decade later, Nye discusses the impact of soft power in books (Nye, 2004, 2002) wherein military and economic powers are described as hard powers used as strong incentives to get things done in a certain way. Conversely, soft power is a means allowing a person or a state to

get an outcome by shaping others' desire by spreading ideas, policies and values, such as liberal democracy, human rights, the rule of law or cultural assets. If a given policy is seen as legitimate, then it increases the strength of soft power; if a country loses its legitimacy, then it undermines its power or leadership (Nye, 2002: 8-12; Ferguson, 2003: 22-24, Shambaugh, 2015: online). Attractiveness is perceived as the key element to reach that goal: if others admire a policy or acknowledge its legitimacy, then it enhances one's power. However, soft power needs to be backed by military strength and alliances (Nye, 2004: x-xiii, and Nye, 2002: 8-12). The US is able to master both, albeit this view has been challenged over the last decade: the US image worldwide is not as positive as it used to be.

2.2. Power, and the Importance of Shared Values in World Politics

Whilst remaining a key asset to ensure peace and leadership through deterrence, military power alone cannot guarantee good relationships on the international stage. It is dependent on economic power and political frameworks. The combination of military might, moral values and economic wealth can ensure a nation a form of leadership (Ferguson, 2003: 18-24). Meanwhile, in a multi-polar world, diplomacy and alliances can empower a group of nations which cannot display military power.

How can soft power be a tool to achieve political goals? Its flaw lies in being too soft. Nye specifies that soft power should be seen as an analytical concept for academic analysis purposes, and not a theory (Nye, 2010b: 219): it does not solve problems, but evaluates a process and helps to achieve certain goals. Hence, Nye analysed the evolution of America's soft power. In the post-9/11 world, as a result of the US foreign policy strategy used to tackle terrorism, there has been a drop of US soft power in about eight years in the European Union, in Latin

America and most of the world. Nye notices that what a country does, matters more than what it represents (Nye, 2010a: 4-11). Why would that be? US soft power has been affected by the Bush administration's unilateralist War on Terror. Nye adds that providing aid in Africa to fight AIDS could not change the impact of the above (Nye, 2010a: 4-11). In other words, a government's policy can weigh more than culture and values in others' eyes, for elements of power do not carry the same weight. Regardless of a country's efforts to promote a good image and values, the ability to attract can hardly be under complete control because it depends on the receiving end.

2.3. The Power of Attraction: A Behavioural Perspective

A parallel can be made with behavioural economics, as soft power is now defined using behavioural terms: it is "the ability to affect others to obtain preferred outcomes by co-option and attraction rather than coercion or payment" (Nye, 2010b: 216). This resonates in what economists have called a "pacific nudge" (Thaler and Sunstein, 2009): how to shape people's ideas and behaviour using appealing incentives rather than strength? The most recent definition appears less America-centred: one should not analyse "power over other but power with others" (Nye, 2010b: 216-227). This matches the evolution of the global economy, where states are intertwined: a policy affects others' perception or behaviour. Furthermore, Nye explains that "power becomes a positive-sum game. It is not enough to think in term of power *over* others. We must also think in terms of power to accomplish goals that involves power *with* others." (Nye, 2011: xvi-xvii, emphasis added). The new major change derives from technology and communication, allowing non-state actors, such as terrorists or hackers, to undermine states' stability or strategy. It emphasises the idea of cooperation.

As regards shifting powers and the recent balance of powers, the main argument is that the current world is an era of international and regional cooperation, to fight sudden setbacks and retaliate against common threats. Cooperation is a key element to help states ensuring a sustainable development, or to maintain leadership, for the common good. In that respect, one must present a strategy requiring new narratives in foreign policy to influence others.

3. Managing Communication: From Public Diplomacy to Nation Branding

Soft power is a tool of public diplomacy in the foreign policy field, conveying a nation's image to foster international relationships. It circulates thanks to state agents and non-state agents. It expresses a state's efforts to disseminate its soft power while showing the part that cannot be controlled.

3.1. Theoretical Framework: Managing One's Communication

Experts of the foreign policy field agree that Edmund Gullion coined the expression "public diplomacy" in the 1960s (Cull, 2009: 19). Public diplomacy is defined as follows: "the influence of public attitudes on the formation and execution of foreign policies. It encompasses dimensions of IR beyond traditional diplomacy; the cultivation by governments of public opinions in other countries; the interaction of private groups and interests in one country with another; the reporting of foreign affairs and its impact on policy; communication between those whose jobs is communication, as diplomats and foreign correspondents; and the process of intercultural communications." (Cull, 2009: 19). Moreover, "central to public diplomacy is the transnational flow of information and ideas." (PDAA, 2015: online). Nicolas Cull reckons that Gullion

provided a definition and an alternative to propaganda. Public diplomacy has been more commonly used since the 1990s.

Similarly to soft power, conveying ideas and information, or managing communication between nations and people, relies on perception, credibility and reputation. Credibility can be critical to succeed in using soft power (Barr, Feklyunina and Theys, 2015: 213-215), which semi-authoritarian states like Russia or China struggle with in the eyes of others. As underlined in section one, there is no control over the receiving end of the message, which supports proponents of soft power not being propaganda; it is used to facilitate trust building and cooperation in global affairs.

3.2. Developing an Image through Guanxi

Justin Hart offers an in-depth analysis of public diplomacy (Hart, 2013). Similarly to soft power, it originates in the United States' foreign policy strategy, as a component of foreign policy (Hart, 2013: 12-14). Hart describes public diplomacy as “an incredibly broad set of initiatives designed to shape the image of the US in the world” and refers to *The New York Times* striving to answer the questions “Why do they hate us?” after the 9/11 terror attack (Hart, 2013: 1-14). Honing public diplomacy as a tool to build a country's image illustrates the will to try to shape this image into a positive and attractive one. It also highlights that a form of ideology will always be tied to a state's foreign policy strategy.

Harts notes that in the 21st century, public diplomacy is depicted as the “most ambitious wartime communications effort since World War 2” (Hart, 2013: 4-5). There are two other aspects beyond shaping an image: building good relations with others in the long term, which can relate to the Chinese concept of *guānxi* (關係) or network of relations, whilst managing short-term crises by providing explanations and mending a given situation created by a foreign policy decision. Public diplomacy

comprises “daily communications”, “strategic communications” such as Shanghai Expo 2010, and the development of relationships with people in the long term, through student exchanges, conferences, or scholarships for instance (Nye, 2011: 105). In the 21st century, the main sources of information are information channels and people, or non-governmental actors. It has become increasingly harder to control information, to measure it, and to extract reliable and valuable data. Nye argues that “narratives become the new currency of soft power” (Nye, 2011: 104). In an era of massive flow of information and social media, information must combine reliability of the content and source with the art of storytelling to reach its targeted audience.

3.3. Strategic Communication: Managing States as “Brands”?

Scholars equally consider that international affairs now rely heavily on image and reputation, as strategic resources (Ferguson, 2015, Wang, 2011, and Ferguson, 2003). The central element regarding soft power and public diplomacy in world politics is that there is no control over the receiving end. When commenting on China, David Shambaugh illustrates the above perfectly: “Soft power cannot be bought, it must be earned” (Shambaugh, 2015). Indeed, all authors insist on the fact that public diplomacy and communication shall not be confused with propaganda, as the latter is a failure of communication harming credibility, and thus power.

The history of international relations offers stories of effective cultural diplomacy. As such, Steven Levitt and Stephen Dubner provide an example of cultural exchange during the Cold War through sport as an effective tool of international diplomacy (Levitt and Dubner, 2014: 126-127). They refer to an international ping pong competition hosted by Japan in 1971, during which diplomatic exchanges between China and the US have been renewed. The Chinese team invited the American

team to Beijing, prompting the American government to send diplomats, and to invite the Chinese to America. Despite both nations having mutual political and economic interests, diplomacy was not working; the trigger of state relations was a sports tournament, where sportsmen were agents of communication influencing governments, and thus selling a good image of their country.

This example illustrates that states need to rely on political actors, and equally acknowledge the dissemination of soft power through non-state actors. The topic of China and soft power still matters today; why a Western-centred view on soft power and public diplomacy is wielded in a different context?

4. An Eastern Application: China's Soft Power, Why Does It Matter?

Image matters in world politics, as people are influenced by popular culture. Why do people accept one country's expression of economic or military power, and resent another country's similar expression of power? Nations, in this case China, are striving to monitor what others perceive of them, so as not to be seen as a threat despite being empowered by their development. How does a concept coming from the USA apply to China's historical background and political environment?

4.1. International Integration and Leadership

China has deployed a diplomatic, economic and security presence, illustrating an aspect of power lying in the process of integration through membership to institutions (Lanteigne, 2016). China's integration to the United Nations as the PRC in 1971, as one of the five members of the United Nations Security Council possessing the right to veto a resolution, embodies its global influence. China is combining a

diplomatic and security prominence with a strong economic presence: the PRC joined the World Trade Organisation (WTO) in 2001. As regards its regional integration, China has become a member of several regional organisations: Asian Development Bank (1986), Asia-Pacific Economic Cooperation / APEC (1991), Shanghai Cooperation Organisation / SCO (1996), Association of East-Asian Nations / ASEAN plus Three (1997). China's dramatic economic growth and global presence have generated mixed perceptions in other countries, deriving from China's apparent and concrete hard power and the underlying fear of the Other.

Although there is no consensus to define development, scholars usually agree that it is both "a process and a condition" (O'Brien and Williams, 2010: 310-315). The word "transition" can be depicted as a movement from a known start to "a known end point", whereas the word "transformation" refers to a process of change from a known start to "an unknown end point" (Henderson, 2008: 376). This remark seems appropriate to describe the evolution of China since the late 1970s, especially since neither scholars nor policymakers can predict how the global economy will evolve after two recent global financial crises and the rise of new economic powers. There has been a shift in China's economic power and the nation's global image, from the "manufacturer of the world" to a great challenging power.

Despite arguments supporting the United States' position as a unique superpower in the current shifting world, some scholars are convinced that during the 21st century, China will remain a solid economic leader of the newly shaped global order (Jacques, 2009; Stiglitz, 2015). Similarly to the many debates which occurred among Western scholars with respect to East Asia's economic rise until the two global financial crises, many trust that only the Western liberal way of economic development is sustainable, based on a *laissez-faire* policy.

Martin Jacques strongly believes that China will not become more “Western” and will give a new perception of the contemporary world (Jacques, 2009), thus offering an uncommon view on China. Since the idea of soft power, born in the US, is now used in East Asia in a different culture and context, this position appears credible.

4.2. The Negative Impact of Hard Power on Image

In spite of being the world’s second largest economy, China is still classified as a developing country, according to the World Bank classification (World Bank, 2015: online). Global polls measuring countries’ perception worldwide, such as BBC World Poll or PWE, show that China has a relatively bad image in many countries. As such, it emerged that the 2008 Beijing Olympics, meant to be a capstone for China’s image, had the opposite effect: a BBC World Service Poll announced a drop from 45 to 39 percent of positive ratings (Sun, 2013: 153). Besides, scholars are demonstrating how soft power has successfully spread the “Cool Japan” or the “Korean Wave” image abroad, through the dissemination of popular culture. What about China today?

A report published by the British Council and the think tank Demos (2013: online) listed the elements driving the cultural agenda, and the actors of cultural relations. The former depends on “foreign policy interests, the desire to create a positive image around the world, the unique history and legacy of each nation, ideology, resources, language, cultural assets [expressed through] arts, education and individual expression, and commerce.” The latter involves “nations, states and cities, cultural, broadcasting and educational institutions, non-governmental organisations (NGOs), businesses, foundations, trusts and philanthropists, individuals, particularly artists, sports people and performers”. This report emphasises the economic aspect: spreading

culture as a tool of soft power involves many actors. It also implies that there is a cost related to promoting events or, on the receiving end, accessing culture by seeing an exhibition, a film, a sports competition, or a show.

Meanwhile, Jean-Luc Domenach insists on the fact that power relies on social balance, the creation of norms and technological innovation, and not only on strength (Domenach, 2008: 255-258). China's cultural influence, and thereby soft power, is of substantial importance to the global order. Hundreds of Confucius Institutes have thus been opened worldwide, and more people are willing to learn Mandarin Chinese. Shogo Suzuki nonetheless finds that there is not much data regarding China's soft power, due to the fact that similarly to American elites in the 1990s, Chinese elites in the 2000 have not taken this concept into account. Moreover, China's rise is usually perceived as a threat with respect to its hard power (Suzuki, 2010: 199-200); its labour policy in Africa and its quest for natural resources have attracted negative feedback locally, as well as in the public opinion (Suzuki, 2010: 207). However, it is worth noting that China's use of soft power within UNPCKO (United Nations Peacekeeping Operations) has been perceived as positive.

And yet, Callahan argues that China's soft power is negative instead of positive, and that it relates more to domestic purposes than foreign affairs (Callahan, 2015: 216-229). In his view, since soft power cannot be measured, it is a social construction like security and identity. With respect to statistics from BBC Poll (BBC World Service, 2010: online), most countries' population had a "neutral to poor" perception of China, following several years of foreign policy mishaps: political censorship, frictions regarding Tibet, Chinese dissidents, or territorial and maritime disputes with neighbouring countries. Conversely, about 75% of Chinese people are aware of their country's prominent role in global affairs

despite 56% also recognising the need to tackle domestic challenges (Wike and Stokes, 2016). Although it is argued that it is hard to measure soft power and its impact, assessing how a country is perceived or how it perceives itself can be an indication on whether a given foreign policy strategy is harming or enhancing a country's image.

4.3. China's Soft Power: Competing for a Better Image

China was perceived as the “manufacturer of the world” providing low labour cost, before switching from quantity to quality, and thus becoming a market of consumers. More generally, China's dramatic development has downsides with respect to environmental issues, such as pollution of air and water, and the access to water: these can be both an international and a domestic problem for the government. Combined with a context of global economic instability, this is challenging China's position within a potential “Global-Asian Era” (Henderson, 2008) in the short term, while China remains a world-region leader at present.

The PRC is widely perceived as being ruled by an authoritarian state. The regime does not subscribe to democratic values shared by Western developed states, which is sometimes creating tensions in the international scene with respect to law and human rights for instance. Furthermore, there are differences with respect to political regimes between the United States and China, while the idea of soft power originates from the United States. This suggests that even if China is playing an essential role in the global economy, it does not have the ability to replace the United States yet. As a result, the world tends to become multi-polar only in the economic realm, and there is possibly a competition in terms of soft power dissemination.

In terms of perception and image, Joshua Kurlantzick made an empirical observation regarding perception of the US in foreigner's mind while staying in the Asia-Pacific region: he was surprised to find

out that people in Australia and Thailand had a better image of China than the US. It was merely the outcome of the Bush administration's foreign policy in the post-9/11 world. This quick shift in America's popularity could however be reversed rapidly due to the precious US aid after the tsunami in Thailand in 2004 (Kurlantzick, 2007: 1-11). It felt natural to help in the aftermath of a disaster, and this was an opportunity to notice that foreign assistance has a positive effect with respect to a country's image.

Interestingly, Kurlantzick's observations are reinforced in Nye's latest work, whereby Nye seeks to explain that military power and economic power are sources of both hard and soft power, supplementing culture, political values and foreign policies (Nye, 2011: 84). As expressed above, military force is an actor providing aid for disaster relief (e.g. Haiti in 2010) and peacekeeping operations, while being a crucial item of security and deterrence. In that respect, this is the soft power part of the military power, but this is a sensitive one, relying heavily on perception.

4.4. Soft Power: Towards a "Peaceful Development"

Martin Jacques predicts that Chinese culture will challenge Western cultural norms, and gain a form of global influence on others, because each civilisation-state perceives the world order and international relations with its own history and culture (Jacques, 2009: 1-21 and 288-293). This implies that globalisation, by allowing the circulation of goods, ideas and cultures, enables them to merge, and consequently to reshape the global world order in the long term. This part of the literature is grounded in the fact that countries' economies are intertwined, and that cultures tend to influence each other. During the twentieth century until now, there has been a consensus that American culture has been, and remains, prominent worldwide. Jacques seems to

trust that this superpower will however be challenged shortly.

Both the US and China are global powers and are civilisations which can influence others as a consequence. A rising country can spread its influence more easily. It implies that there is now an increase of China's presence in the media: its art and film industry are better acknowledged abroad, more people want to discover and visit the country as tourists out of curiosity (Jacques, 2009: 548-560). This shows the country's dissemination of soft power. Jacques quotes Nye stating that "Much of American soft power has been produced by Hollywood, Harvard, Microsoft and Michael Jordan" (Jacques, 2009: 610, and Nye, 2004: 17), but he reckons that it will be difficult for anyone but the US to master those four areas: culture, education and research, technology and innovation, and sport. Moreover, Jacques stresses that China's influence is great among developing countries, whilst its soft power is still weak in the Western world. This probably derives from its economic classification, political regime (Jacques, 2009: 609-616), and variations in China's foreign policy strategy (Lanteigne, 2016). Based on Jacques' statement and other scholars (Shambaugh, 2016; Lanteigne, 2016), it can be argued that this is currently the challenge faced by China's leaders: to work on changing China's image by using soft power and public diplomacy, economic wealth being a pre-requisite to enable a nation to use its soft power assets more efficiently. And yet, there might be a different approach to soft power due to different political regimes.

Regarding state policy, scholars refer to a prominent counsellor close to China's leader Hu Jintao (胡锦涛), Zheng Bijian (郑必坚), who coined the term *héping juéqǐ* (和平崛起, "Peaceful Rise") (Kurlantzick, 2007) to emphasise the fact that China should not be perceived as a threat. This term has actually been widely used in China by both leaders and scholars. Gregory Chow touches upon China's public diplomacy (Chow, 2012), insisting on how China could enhance

its diplomatic relationships by managing its public image, so as to appear as a friendly and peaceful country. He argues that “good diplomacy is a necessary part of China’s peaceful rise” (Chow, 2012). China enjoys the idea of peaceful development (Kurlantzick, 2007: 37, Guo, 2006). Incidentally, “Harmonious Society” (和諧社會 / *héxié shèhuì*), a concept used since 2005, is commonly said to come from Confucius’s ideas.

4.5. Political and Economic Strategies

Economic might often lead to an image imbalance. Despite its successful regional and international integration, China is searching for a missing element. One can refer to the “Yellow Peril”, an idea shaping the imagination of popular culture and influencing one’s image: one perceives the others as a threat, while the others wonder why people perceive them negatively. Could image still influence people’s perception of East Asia in the 21st century?

Today, when thinking about China, people might not see a “Yellow Peril” anymore; this fantasy circulated via popular culture, as it was spread in literature and films in the late 19th – early 20th centuries. What strikes people’s mind is China as the factory of the world, spreading cheap goods, based on the current state of things which has shaped the world over the last decades. China seems to have improvements to make in terms of image to catch up with the successful “cool Japan” or “Korean wave” image. Culture is a tool impacting people’s perception of the other, albeit this is not sufficient. Indeed, it is argued in the field of international relations that the world enjoys Coca Cola and Hollywood films, but that is not to say people embrace American governance and foreign policy. Thus, what can China do to display its soft power?

China’s soft power conveyed in international cooperation through public diplomacy, or growing aid, is called “charm offensive” or “smile

diplomacy” – *wēixiào wàijiāo* (微笑外交) (Kurlantzick, 2007; Shambaugh, 2013: 56-58). This strategy implies a peaceful approach offering many positive outcomes: the state is now participating in international issues by supporting peacekeeping, helping developing countries to reach economic empowerment, while fighting trafficking. Conversely, Joshua Kurlantzick and Marc Lanteigne note obstacles hindering China’s will to interact with others: labour poverty, environmental issues, corruption in Africa and Latin America, a certain lack of openness (Lanteigne, 2016; d’Hooghe, 2008; Kurlantzick, 2007: vii-xii). These are elements affecting China’s image abroad. In foreign policy and following Nye’s definitions, this is part of public diplomacy and soft power. China’s view of power covers smart power and a balance between foreign and domestic policies. Unlike what soft power originally was, foreign policy might not be as essential as domestic stability to assert Chinese soft power.

4.6. The Silk Road of Ideas: Then and Now, a Network of Trade

Routes

Historically, the Silk Road symbolises an exchange of goods, cultural artefacts and religions between nations, empires and civilisations. Indeed, art, silk, Buddhism, or Christianity have travelled and merged into new contexts, creating syncretism. The new Silk Road refers to a land route and a maritime route connecting East Asia to the Mediterranean Sea through many countries to foster international trade. This ancient network is tied to the current global economy and the circulation of ideas between the West and the Far East, such as the concept of soft power and its new narratives, from the USA to East Asia through Europe.

Originally, the Silk Road depicts trade routes, which started under the Han Dynasty (漢朝, 206 BC – 220 AD) and lasted until the Yuan

Dynasty (元朝, 1279-1368 CE) (Frankopan, 2015). Over the centuries, international business led to the creation of a network of trade paths on the Asian continent between the East and the West, from China to the African continent and Europe.

This historical and cultural legacy is being recognised by UNESCO since 2014, when the Silk Road was listed as a World Heritage Site (UNESCO, 1992-2016: online), as “Silk Roads: the Routes Network of Chang’an-Tianshan Corridor”. The land-based paths are spreading across China, Kazakhstan and Kyrgyzstan. From a geopolitical perspective, China is a continental or land power seeking to turn into a maritime power, so as to become a “two oceans power” (Lanteigne, 2016; Marshall, 2015), which is symbolised by the “One Belt, One Road” strategy. Nowadays, there is a renewed interest in following this ancient network, both on the continent and the oceans, for security, maritime and economic purposes.

4.7. The New Silk Road: Securing Maritime and Economic Interests

In 2013, China’s president Xi Jinping (習近平) promoted a New Silk Road called One Belt, One Road (一帶一路). He introduced a plan for creating a New Silk Road from China to Europe, with an emphasis on the importance of the maritime silk road.² As such, there is a “One Belt, One Road” land-based Silk Road Economic Belt (SREB, 絲綢之路經濟帶), and a Maritime Silk Road (MSR, 21世紀海上絲綢之路). From a geographical perspective, the former goes from East Asia to Europe through Central Asia and the Middle East, while the latter includes countries from Southeast Asia, Oceania and North Africa (Tiezzi, 2014: online). The scale of intertwined economies and international trades alongside these paths is ambitious and impressive as the MSR creates a big maritime empire connecting three continents.

What do these Chinese political and economic strategies imply? Following paths across the South China Sea, the South Pacific Ocean and the Indian Ocean affect security and international relations as some areas are very sensitive topics in geopolitics (Marshall, 2015: 45-47). How to defuse tensions by trade alone? Conversely, international political economy theories suggest that an increase in economic ties foster better relationships between nations, which will be less likely to fight thanks to their economic ties. In terms of economic partnerships and competition, does this illustrate hard power or soft power?

4.8. The Silk Road of Ideas: The Globalisation of Concepts

Whilst the One Belt, One Road highlights political and economic strategies and foster hard power, domination and fighting for a stronger economy, the New Silk Road also relies on softer power qualities, as it can equally symbolise enhanced international relationships and *guanxi*. For instance, in terms of image and promotion of a nation's cultural heritage, Callahan refers to the 2008 Beijing Olympics opening show, where the Chinese film director Zhang Yimou (張藝謀) displayed several thousand years of civilisation (Callahan, 2010: 1-8). The Silk Road, international trade and open-door policy were symbolised by Zheng He (鄭和), who sailed around the world under the Ming Dynasty (明朝). This led to mutual interests and shared values, and thus harmony.

More recently, artists combine history of empires with the 21st-century economic power. For example, at the 2016 Monumenta exhibition in Paris, Huang Yong Ping (黃永砵)'s installation represents global power and global economy (Wullschlager, 2016: online). Indeed, this piece of work merges shipping containers with Napoleon's hat and the skeleton of a sea dragon: he thus refers to ancient empires, Asian mythology and contemporary economic trade and power through cargos

carrying goods on maritime routes. From a theoretical perspective, power, hard or soft, depends on image and attraction: it can repel others, frighten them, or attract them.

5. Conclusion

The idea of soft power has travelled from the West to the East. Soft power and public diplomacy have emerged in a North American foreign policy analysis context, which suggests that semi-authoritarian states like Russia or China might consider these concepts with a different approach. This paper has focused on China, whose cultural philosophy and political regime differ from American culture. China's audience is domestic, regional, and international. This affects the soft power discourse, as China's people and neighbouring countries tend to weigh more than the international/Western audience.

This paper has offered a theoretical framework from the American foreign policy analysis regarding soft power and public diplomacy, concepts designed by American scholars in terms of states competing for power and leadership, and issuing strategies to achieve this. This paper also examined the global context in which soft power is used: the political and historical backgrounds of the 20th and 21st century have changed the balance of powers, increasing international cooperation and interdependence. The post-Cold War world and post-9/11 context have changed the political environment, moving from a bilateral relationship during the Cold War to a uni-polar world in the military realm, and a multi-polar world in the economic realm.

This paper has also shown the move towards "smart power", as military force relies on economic power. These two components of hard power also possesses a soft power aspect: economic resources support military power to build military strength, while also being a tool for

empowerment to allow a country to be ranked following economic measurements such as the gross domestic product (GDP) growth. Striving to monitor a nation's image from the domestic and foreign aspects requires leaders to manage communication between nations and people. This relies on perception, credibility and reputation, which are critical to succeed in wielding the tool of soft power.

This paper made a bridge between the ancient Silk Road and the contemporary one and has sought to explain how the current Chinese political and economic strategies, by relying on Chinese cultural and historical heritage, is wielding soft power to strengthen its position in the international stage. As regards China's government narrative, then president Hu Jintao stated in a keynote speech in 2007 that the PRC has to "enhance culture as part of the soft power of our country ... a factor of growing significance in the competition in overall national strength" (cited in Nye, 2011: 88), and later Chinese leaders stated their objective of making China a "superpower of culture" (Shambaugh, 2015). More recently in 2013, President Xi Jinping and Premier Li Keqiang (李克強) have been promoting the "One Belt, One Road" economic cooperation, which touches upon diplomacy, trade, and image.

This shows that the American concept of soft power is being embraced by others, in a different political, cultural and historical context, while the land-based and maritime road as economic paths are symbolising a New Silk Road, linking China's history and culture to economic power. The New Silk Road along the "One Belt, One Road" initiative is building a bridge towards the Mediterranean Sea, hence a circle linking China and Europe through other continents; it is also a strong reference to history and Zheng He's voyages, let alone the fact that in 2014, the ancient Silk Road has been listed as a UNESCO World Heritage site.

Wielding soft power and striving to monitor one's image is about trust, credibility and reputation (CSIS, 2016; Hart, 2013 Nye, 2011). A nation needs trust to build political cooperation and economic partnerships, participate in or lead negotiations and facilitate cultural exchanges. If there is mistrust, nation branding is ineffective; these interactions are challenged or can fail. Furthermore, as part of the literature stresses, if something appears as propaganda, then it is a failure of communication. Besides, an essential aspect of soft power is no matter how hard one tries to influence and attract others, there is no control over the receiving end: this is relational power equally suggesting that soft power does not necessarily relate to a pro-active policy to engage with a targeted audience (perceived as hard power or propaganda), but also relates to something that a nation possesses that attracts others without acting on it (a process to be observed and understood). This highlights the relation with perception, attraction, how to promote one's image and why one – China – wants to promote it.

Notes

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1. This paper aims to present my research before fieldwork; therefore, I only referred to secondary empirical data at this stage.
2. “Xi in call for building of new ‘maritime silk road’” (by Wu Jiao in Jakarta and Zhang Yunbi in Beijing), *China Daily*, 4th October 2013, available at <http://usa.chinadaily.com.cn/china/2013-10/04/content_17008940.htm> (accessed 20th May 2016).

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An Assessment of the China-Korea Free Trade Agreement: Implementation Outcome and Influencing Factors

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Abstract

China-Korea Free Trade Agreement tops the list of trade volume covered by 14 FTAs China has signed with its signatory counterparts. In principle, 100 days of China-Korea Free Trade Agreement (ChKFTA) into effect as of December 20, 2015, through two stages of tariff reduction and/or elimination, can result in substantial benefits for Chinese imports and/or exports firms. The paper is a pilot questionnaire study assessing the enforcement outcome of ChKFTA, based on the responding firms' perceived observations and views of the impact of ChKFTA on their trading activities in the first quarter of 2016, and the role of related rule of origin (RoO). Such an inquiry of the relationship between rule of origin and trade in goods aims at yielding evidence for decision-making on how to optimize the outcome of ChKFTA and China's increasing number of FTAs as well.

Keywords: *preferential tariff, trade in goods, assessment, questionnaire study*

1. Introduction

The post-1992 establishment of state relationship has witnessed huge growth between the People's Republic of China ("China") and the Republic of Korea ("Korea") in the fields of trade and investment, especially China as Korea's largest trading partner since 2011 in the consecutive years, and Korea as China's second largest trading partner in 2015. Such a growing tendency partly depends on an increasing drop in customs duty, inclusive of most-favored nation ("MFN") tariff rate and preferential tariff rate under the Asia-Pacific Trade Agreement ("APTA").

On June 1, 2015, the China-Korea Free Trade Agreement (ChKFTA) was signed. Pursuant to China's and Korea's Schedule of Tariff Commitments under ChKFTA, up to 90% of items imported from Korea and up to 92% of items imported from China shall be allowed for preferential rate; over 20 years the longest phase-out period, trade in goods between China and Korea will move towards an era of zero tariff. In theory, ChKFTA can enhance import and export. On the one hand, it helps lower import cost, thereby pushing upwards import volumes from Korea to China in items of machinery equipment, chemicals, and electronics, for example. On the other hand, it increases profitability for exports from China to Korea in items of textiles, iron and steel, machinery equipment, for example. However, in practice, traders are constrained in use of FTA, due to a number of factors. These factors, ranging from familiarity with FTA, awareness and capability of using FTA, rule of origin (RoO) strictness, trade-off of growing cost against tariff reduction, support system, among others, can reduce the expected result of ChKFTA preferential rate. Especially in the case, a margin of preference needs to be large enough to attract traders to switch from MFN and APTA preferences already available over decades.

Considering China's recent and active pursuit of FTAs, an assessment of the impact of China's FTAs is of utmost importance for policy-makers and Chinese traders as well at present and for the future. On these considerations, this paper aims at assessing the effects of ChKFTA, based on the responding firms' perceived observations and views of the impact of ChKFTA on their trade in goods in the first quarter of 2016, and the role of related rule of origin ("RoO"). Such an inquiry of the relationship between rule of origin and trade in goods aims at yielding evidence for decision making in how to optimize the outcome of ChKFTA and China's increasing number of FTAs as well.

The rest of this paper is organized as follows. The next section argues that RoO, a crucial element of each FTA, is among the key factors affecting the utilization of FTA preferences and reviews the survey findings of Chinese traders' use of FTAs. Section 3 introduces the questionnaire-based firm survey and firm dataset. Section 4 reports the descriptive analysis of firm's ChKFTA use. Section 5 concludes this paper.

2. Studies on the Use of China's Free Trade Agreements: A Perspective of RoO in International Trade

In the context of China's FTAs growing in numbers, recent literature on the use of FTAs show a new focus on assessing the use of FTAs by firm and their policy implications. In pursuit of enhancing mutual trade in goods between members, policy-makers design FTAs. Despite the impact of FTAs on trade flow between members theoretically and empirically argued for and confirmed *a priori* and *a posteriori*, the utilization of tariff preferences by traders is low. In order to use FTA, traders need to meet incompatible RoOs across FTAs and across different types, among which, for example, "change in tariff

classification criterion” and “value added content criterion” are major ones. To do that, the users may need to present their bill of materials for qualifying that their imports are “originating ones” from signatory members, change their procurement sources from the optimal pattern of procurement, or raise the share of local inputs in total inputs. In other words, the use of FTA preferences involves extra cost, covering procurement adjustment, changed bill of materials, for example, on top of the cost of complex origin administration. The expected “gain” for traders is not automatic, but in a high marginal savings on their tariff payment relative to marginal costs. Theoretically, RoO is a strong factor affecting the use of each FTA, and partly responsible for low utilization of FTA preferences (Inama, 2009).

Under the auspice of Asian Development Bank (“ADB”), Zhang *et al.* (2010) conducted an interview survey on a total of 232 firms attempting to examine the impact of China’s six FTAs on their business activities. This pilot study shows an extremely low utilization rate, affected by lack of FTA-related information, which tops a list of key reasons, which is also true of 595 sampled firms in Southeast Asia (Wignaraja, 2014). One more significant finding is that only 19 out of 232 responding firms see RoO as a barrier to FTA implementation, and the reasons behind as given suggest an ambivalent and ambiguous interpretation of RoO. What is more, their preferred types of RoO indicate their lack of awareness of the importance of RoO. These findings may partly explain for low utilization of CAFTA at 16.3% firms “have used” and at 19.0% firms “plan to use” (N=436 sampled firms), based on a questionnaire administered covering six provinces in 2009 (Shen and Wang, 2011).

Besides RoO, there are a number of other impediments to successful implementation of FTAs. Li and Duan (2015) suggests that seaside location, long establishment, easy-to-meet RoO items, processing mode

of trade are among facilitators for higher utilization rate, based on a firm survey of six provinces in China. Hua and Wang (2014) reports a level of CAFTA, CEPA and ECFA utilization, much lower against NAFTA utilization by Mexican firms, due to not only common affecting factors but also mode of production in East Asia. These findings contribute in factors typical of China in addition to the general list, for example, establishment, ownership, size (proxied by employment), cognition of FTA.

In light of findings by ADB and JETRO, and informed by Hamanaka (2013)'s identification of six methodological problems in literature measuring the use of FTAs in East Asia, the present study aims at assessing the use of ChKFTA, a specific FTA, for policy implications, from a perspective of RoO in international trade in goods, by a firm survey.

3. Questionnaire and Enterprise Dataset

The present questionnaire study, a preliminary part of follow-up quarterly and annual assessment, aims at collecting information from firms on issues such as characteristics of firms, knowledge and major sources of accessing preferential FTA provisions (e.g. RoO), FTA preference use, evaluation of RoO, impediments to FTA preference use, and sources of institutional support for firms. A descriptive analysis of feedback by responding firms helps capture the impact of ChKFTA on their trade in goods, provide actual evidence for the relationship between the FTA implementation and traders' importing and exporting activities.

The authorized bodies of China Council of Promoting International Trade (CCPIT, 中國貿易促進委員會) across 31 administrative provinces arranged for traders, by random sampling selection criterion, to complete the questionnaire during April 11-15, uploaded on a free-of-

charge third-party online survey platform. We collected sampled firms at a grand total of 2612, with a breakdown of Class A at a subtotal of 1428 and Class B at a subtotal of 1184. Class A are firms having transactions with Korea since January 1, 2015, and Class B are other export firms. Such a sampling design aims at facilitating an examination of the impact of ChKFTA on two different type of firms by a comparison. In assessing the impact of ChKFTA implementation over the first quarter of 2016, the paper is based on their respective observations and opinions. The survey data are of high quality due to computer programming, and are friendly to a programmed subset of data, for targeted analysis purposes, which can be seen at varied set of data in numbers. Additionally, the data are up-to-date and of current policy interests.

In order to facilitate analysis, products are grouped into 23 broad categories on the basis of HS two digits, and adjusted into proper ones with reference to National Bureau of Statistics of the People's Republic of China. For example, HS 61-62 are in section XIII other than XII (see Appendix).

Followed is a short description of the attributes of the responding firms. Class A firms and Class B firms are compared in the following lines. Class A has a relatively longer history of establishment than Class B, suggestive of a larger size, more experience in and sensitiveness to change in domestic and foreign markets. Both are mostly in the eastern coastal region, with Class A mostly in the provinces of Shandong and Jiangsu and Class B mostly in Guangdong province. By employment and sales volume, Class A is indicative of a larger size than Class B. In terms of items, Class A has a heavy concentration of sections VII and XVIII (nearly at 40%), against of less than of 5% each of the remaining sections; Class B has a top concentration in section XVIII, followed by sections of XIII and VII. In terms of ownership, both panels are dominated by privately-owned ones (up to 70%); however, it is worthy

of note that there are fewer of privately-owned ones in Class A than in Class B, and slightly more of foreign investors or joint ventures in Class A than in Class B. The above comparison gives force to the reliability and accuracy of dataset, not only close to the profile of players of Chinese foreign trade, but also of CCPIT's clients, an overwhelming majority of small and medium-sized enterprises (SMEs), mostly private-owned ones.

4. Descriptive Analysis of Dataset

We move to an understanding of sampled firms' knowledge about and use of ChKFTA (4.1), the ChKFTA implementation' impact on firms' trading in goods (4.2), and the role of RoO under ChKFTA (4.3). To accomplish this objective, we choose Class A (N=1421) for a focus analysis. The assumption is that unlike Class B, firms in Class A have trading relationship with Korea since January 1, 2015, and are more responsive to ChKFTA in trading activities. For the sake of collecting high-quality feedback, questions on the questionnaire are set as multiple choices along a continuum of magnitude ranging from the lowest extreme to the highest extreme. This is also a facilitating factor for respondents' support in completing the online questions with ease and efficiency.

4.1. Sampled Firms' Knowing about and Using ChKFTA

4.1.1. Firms' knowledge about ChKFTA and their major sources of information

This section analyzes firm's feedback to the following two questions: 1) how much do firms know about ChKFTA? and 2) what are firms' sources for learning about ChKFTA?

Figure 1 Knowledge about China-Korea FTA (N=1421)

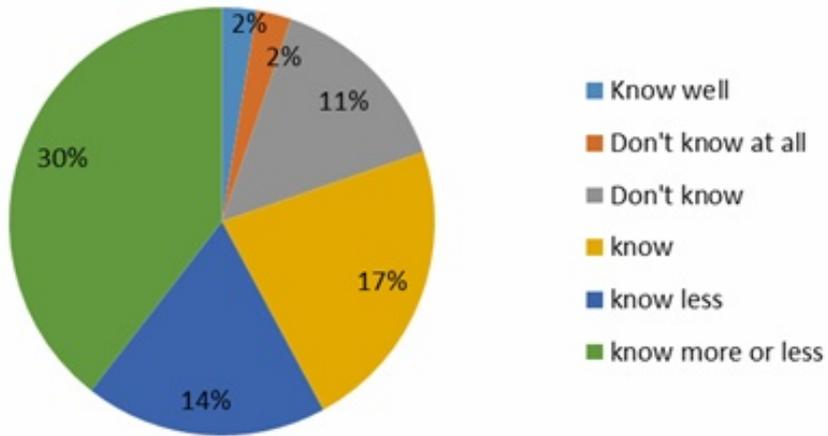


Figure 2 Sources for ChKFTA-related information (N=2154)



As can be seen in Figure 1, only 2% of firms reported “know about ChKFTA fairly well”, 17% “know something”, and 24% “know a little”. In contrast, firms who responded with “don’t know”, plus a “neutral attitude” stand” amount to 57%. In other words, the majority of sampled

firms have a low level of knowledge about ChKFTA. Possible explanations include, for example, the respondent’s low knowledge, or lack of relevant sources, or an indifference towards ChKFTA.

As for sources of FTA knowledge, questions are designed with multiple choices. 1421 firms in total have given 2154 replies. The survey results are presented in Figure 2. “Government sector website” is the most important source, nearly half the replies (46%); followed is “Media website, specialty publications” (23%). This means an active role by firms. To put it another way, firms are highly concerned with the signature and enforcement of ChKFTA. We can conclude that firms have some expectation from using the FTA preference. The third major source is “training by competent authorities” (18%), an important piece of evidence for a fairly-good-performance training, relative to a 100-day-implementation period. There is barely little supporting evidence for the role of “commercial service organization” in spreading the news of ChKFTA. Despite calls for its role (Zhang *et al.*, 2010), it takes time for commercial services to join in for FTA-specific service.

4.1.2. Firms’ use of ChKFTA

Figure 3 Firm's Use of ChKFTA Tariff

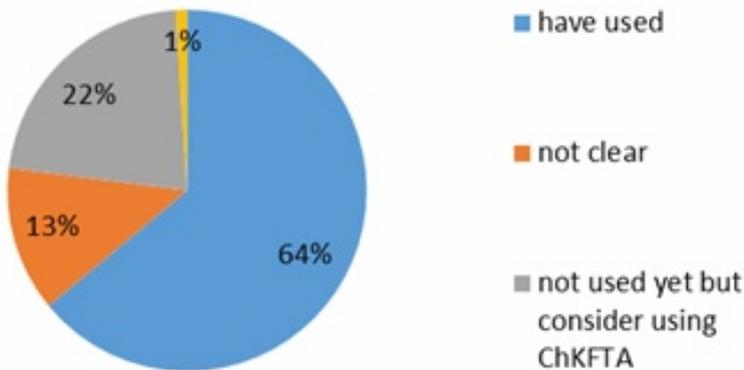


Figure 3 shows that 65% of respondents (N=1421) reported “have used ChKFTA”, and 22% “not used yet but consider using ChKFTA”. These two groups represent 87% of sampled firms. This high percentage of “use and plan to use” firms over sampled firms generally agrees with the ChKFTA utilization rate by importing and exporting firms in the following section. We can conclude that in the future above 86% firms in Class A would use ChKFTA, which is quite promising.

Only 1% of firms responded answering “not used yet, and will not consider using in the future”. This might be explained by no attractive enough margin of preference (i.e. for example, the difference between MFN rate and FTA rate is rather small), or a small trade volume. When it comes to the reasons given by 9 firms, 3 out of 9 expressed about lack of relevant information sources, 4 out of 9 said that FTA preference is not applicable, and the remaining 2 firms reported about no need for a small trade volume.

4.1.3. ChKFTA and impact on sampled firms’ trading activities

Figure 4 Firm’s Use of FTA for Importing

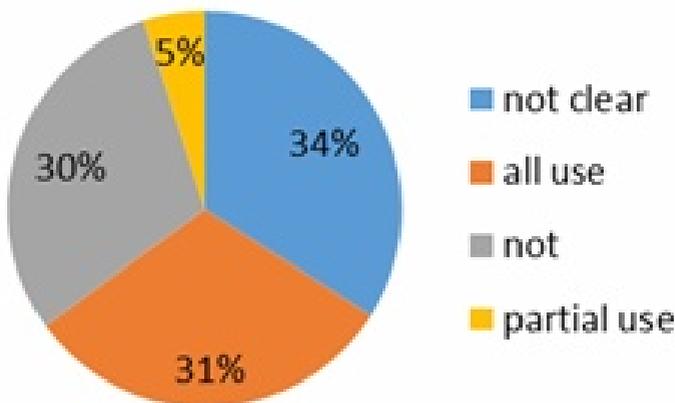
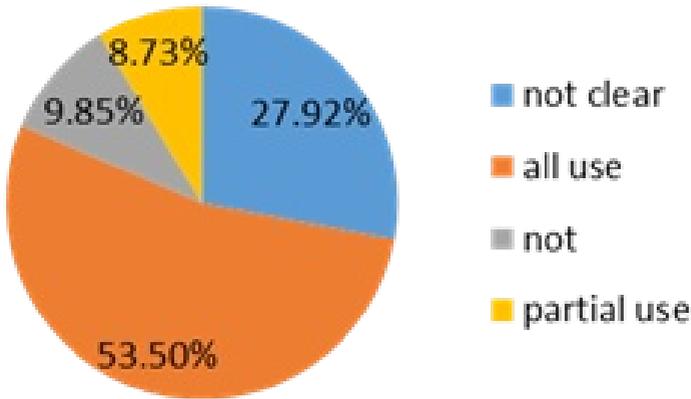


Figure 5 Firm’s Use of FTA for Exporting



Among sampled firms using FTA preference for importing (N=105), only under Section VII (chemical products, pharmaceuticals and cosmetics), there are above 10 firms. When utilization rate (UR) equals the ratio of FTA tariff rate-adjusted import value to total import value of the product section, then UR is 96.98%. However, because of a small sample size, it cannot be inferred that the import UR for Section VII is above 95%. To obtain a more convincing and sound UR, one more survey is in need for collecting information from import firms. In the same vein of logic, we focus on the case of export firms (see Table 1).

Among them, section VII stands out. Despite the largest number of firms (151), the UR is only 2%. An obvious reason is that one chemical company’s export value in the first quarter of 2016 hit a record of 20 billion US dollars in total, but did not use FTA preference. This is a huge drain on UR for section VII. This is also true of section XXII, whose UR is pulled down (at 6% only). Suppose that such extreme cases were put aside, UR of ChKFTA would be somewhat satisfactory. It is common

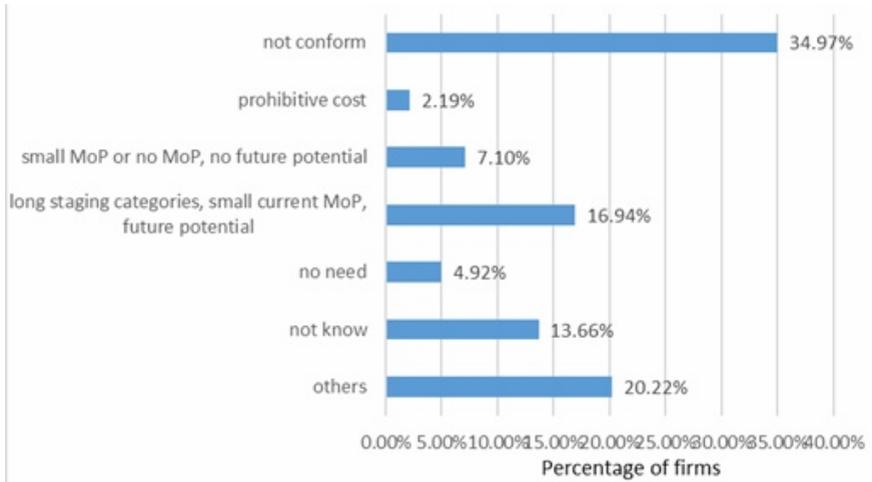
Table 1 The 2016 Q₁'s Exports to Korea Using ChKFTA Preference
(unit: ten thousand US dollars)

Industry (code)	Export value by ChKFTA	Total Export Value	UR	Firms (number)
XIII	55,510.68	56,345.18	99%	57
VIII	1,710.55	1,779.24	96%	60
IV	2,432.02	2,719.72	89%	21
XVI	11,081.44	12,797.20	87%	32
XII	999.74	1,617.22	62%	46
XVIII	8,762.02	16,329.91	54%	108
XVII	924.71	2,713.10	34%	21
XIV	972.9	3,622.29	27%	29
XXII	883.64	18,118.86	5%	33
VII	37,473.14	2,039,134.23	2%	151
Others	6,711.61	14,940.66	45%	77
Total	127,462.42	2,170,117.61	6%	635

Notes: (1) This number of firms (N=635) is greater than the total number of firms (613) for “full use” and “partial use” of FTA, as some firms export more than one products.

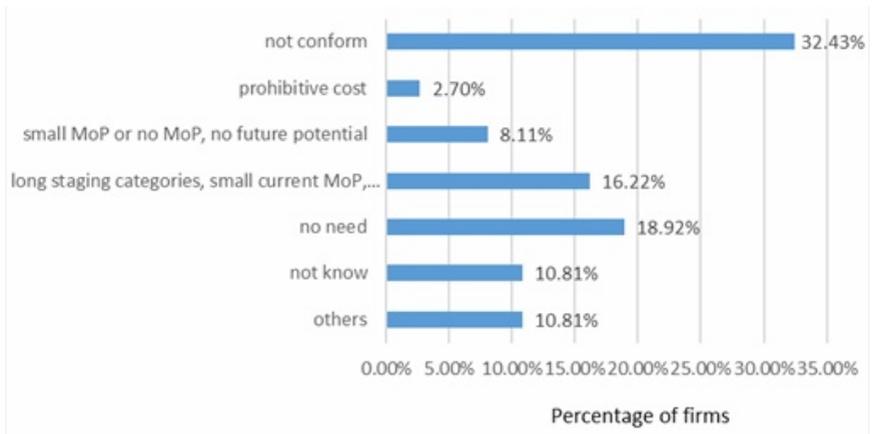
(2) Across categories, there is a wide difference in terms of related firms. When the number of firms is below 20, a rather small size of sample will cause statistical bias, thereby resulting in a UR which is not representative of the corresponding category. To improve the robustness of statistical result, we treat such instances with care and place them under the heading of “others (please specify)”.

Figure 6 Reasons for “Not Use FTA” by Export Firms



Note: N=183.

Figure 7 Reasons for “Not Use FTA” by Import Firms



Note: N=37.

that when samples are not large enough, the statistical result could be impacted by few abnormal cases. This is one possible source of questionnaire bias.

As for the reasons for “not use FTA”, the feedback from the surveyed firms is shown in Figure 6 and Figure 7. 169 export firms have given 183 replies (see Figure 6), and 37 import firms have supplied answers (see Figure 7). Most of the firms, both importing and exporting, agree that RoO under the Agreement is to some extent an impediment to the use of preferential tariff. Almost none of them regard “prohibitive cost of using FTA” as a constraint on use FTA. Firms perceive “not applicable” as a prime constraining factor (34.97% of export firms; 32.43% of import firms). The third major impediment is “long staging categories, small margin of current tax reduction, but future potential” (16.94% of export firms and 16.22% of import firms respectively). The second major factor is not the same for import and export firms. For export firms, the second major impediment is “others” mainly because of small export value, 20.22% of firms” whereas for import firms, the second major one is no need (e.g. entrepôt trade, 18.92% of firms). It is worthy of note that “not know how to” receives a not small frequency from export firms (13.66%).

4.2. ChKFTA Implementation and Its Impact on Firms’ Imports and Exports

After deleting no valid samples, we pin down 985 export firms and 105 import firms as our subset-data for a focused analysis. Among the 985 export firms, 913 firms export to Korea a single product, and the remaining 72 export a number of products. Among 105 import firms, only two firms import a single product, and the others import more than one product. Afterwards, we calculate the year-on-year growth rate by

using import and export value in 2015 and in the first quarter of 2016, which these sampled firms provide.

4.2.1. Change in import and export value

The majority of firms export more products in Section VII (207 firms) and Section XVII (181 firms). These two groups of firms represent 40% of the total (N=985). This phenomenon is easy to notice from Table 2. We can project the average growth rate by the sampled firms over the first quarter with reference to that of Section VII. The contribution by Section VII to the total export value is above 90%.

When it comes to year-on-year growth rate of exports, the top five sections in the first quarter of 2016 have different performances. Only section XIII sees a relatively large magnitude of increase (20.37%), and sections XVIII and XIV see a small increase (3.48% and 3.28% respectively). In contrast, there is a considerable drop (-20.04% and -18.49%) for sections XIII and XVI, a marked fall (-7.53% and -7.03% respectively) for sections XII and XXII. In addition, there is a slight drop (-2.44%) for section XII.

A comparison between base rate (year of 2012) and tariff rate under the Agreement is presented in Table 3. There is a substantial tariff reduction in section XIII. 77% of tariff lines in this section, subject to a tariff rate of 13% on the high side before the Agreement, shall enjoy respective tariff concession of “staging categories” of varying extent. For example, footwear goods are subject to “zero” tariff rate effective as of 20 December, 2015; clothes shall be subject to “staging category” of “10” following the Agreement enforcement. This case is true of most of products in tariff lines in sections XVIII and XIV (each at a base rate of above 8%), half of which each is subject to zero tariff rate effective from the Agreement enforcement. That is to say, the level of tariff rate for these two sections is cut about in halves. At the same time, products

Table 2 The Export Value to Korea in 2015 Q₁ and 2016 Q₁ and Growth Rate

Sections (code)	2015 Q ₁	2016 Q ₁	Growth rate	Firm (number)
VII	2,205,153.64	2,039,134.23	-7.53%	207
VIII	2,225.09	1,779.24	-20.04%	86
XII	1,657.75	1,617.22	-2.44%	78
XIII	46,809.71	56,345.18	20.37%	83
XIV	3,507.12	3,622.29	3.28%	65
XVI	15,699.75	12,797.20	-18.49%	70
XVIII	15,780.14	16,329.91	3.48%	181
XXII	19,488.54	18,118.86	-7.03%	55
Others	17,761.73	20,373.48	14.70%	191
Total	2,328,083.47	2,170,117.61	-6.79%	1016

under tariff lines in section VIII (plastics and rubber products) subject to an immediate zero rate, is only represented by about one third, and the remaining are to be subject to “staging categories” of “5” through “15”. It suggests that there shall be substantial margin of preferences in future, but the margin of preference is not attractive enough in the recent few years. Section XVI (ferrous metals and articles of base metal) are highly represented by iron and steel products. About 60% of tariff lines under this section are subject to an immediate tariff elimination. The margin of preference is obvious. Anyway, their export value has shrunk sharply. One possible reason is that in the first quarter of 2016 domestic steel prices have jumped high, pushing up quotes in their exports, and offsetting tariff reduction-induced price advantage, thereby lowering their international market competitiveness. Overall, over 100 days’ of

Table 3 Year-on-Year Growth Rate of Exports in 2016 Q₁ and Schedule of Tariff Commitments

Section (code)	Export Year-on-Year Growth Rate	Base rate (%) (year 2012)	Tariff commitments under the Agreement
VII	-7.53%	53% items at 6.5, 28% items at 5.5, 7% items at 8	approx. 52% items down at zero when in force, 21% items at zero in 5-10 years, a mere 1% or so items at zero in 15-20 years
VIII	-20.04%	60% items at 6.5; 29% items at 8	36% of items down at zero when in force, 40% in staging category “5”, 16% in category “10”, and another 8% in category “15”
XII	-2.44%	51% items at 4, 30% items at 10, and 9% at 13	36% items down at zero when in force , 18% in staging category “5”, 31% in category “10”, 10% in category “15”
XIII	20.37%	77% items at 13, the remaining at a flat 8	only 16% items down at zero when in force, about 70% in staging category “10”, 7% in category “15”
XIV	3.28%	about 93% items at 8	54% items down at zero when in force, 22% in staging category “5”, 7% in category “10”, 14% in category “15”
XVI	-18.49%	about 80% items at 8, 9% items at 3, 5% items at 5	60% items down at zero when in force, 13% in staging category “5”, 16% in category “10”, 9% in category “15”
XVIII	3.48%	about 94% items at 8	48% items down at zero when in force, 10% in staging category “5”, 28% in category “10”, 14% in category “15”
XXII	-7.03%	about 98% items at 8	60% items down at zero when in force, 30% in staging category “10”

ChKFTA implementation, exports to Korea by sampled firms have fallen by a quarter-on-quarter 6.79% and are not optimistic. What is worse, the respective magnitude of decrease is wider than China's shrinking export growth rate (-4.2%).

Table 4 Comparison of Year-On-Year Growth on Import and Export Value and of Korea in the First Quarter of 2015 and 2016

Section (code)	2015 Q ₁	2016 Q ₁	Growth rate	Firm (number)
VII	1,535.84	2,571.93	67.46%	20
VIII	2,226.35	2,670.47	19.95%	10
XII	74.72	48.75	-34.77%	28
XVIII	236.80	127.00	-46.37%	19
Others	7726.44	6751.58	-13%	28
Total	11,800.15	12,169.72	3.13%	105

4.2.2. Export and import discontinuation or entrants by product category

Let us move on to examine a subset of 20 valid samples (N=20) out of 22 firms for their discontinuing exports. Their exports' category distribution and reasons for discontinuing exporting are plotted in Figure 8 and Figure 9 respectively.

As can be seen, exports having been discontinued mostly fall into sections XVIII, XIII, XXII, and VII in a decreasing order but most of the sampled firms do not blame the Agreement for the discontinuation, except for one. Only one firms gave "not applicable" as the reason. Nine firms chose "others", further explaining that since the Agreement

Figure 8 Discontinuing Export by Product Section and by Number of Firms

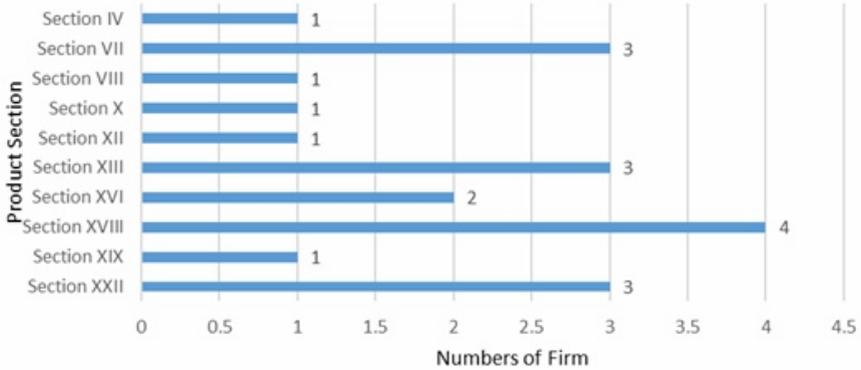
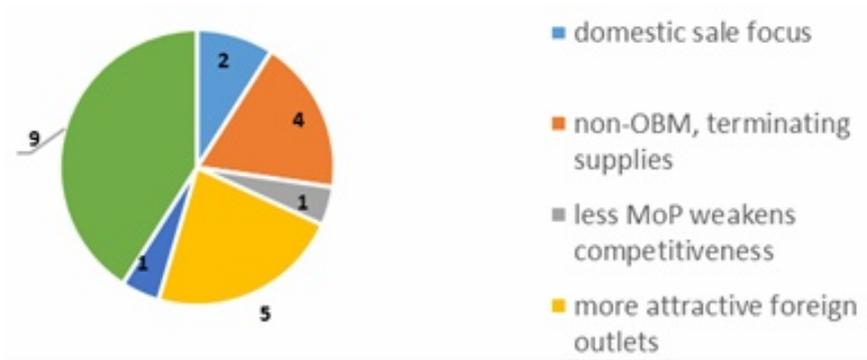
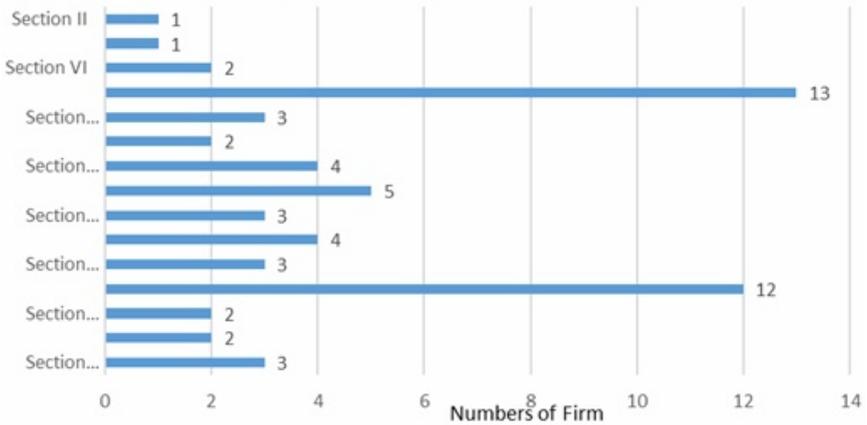


Figure 9 Reasons for Discontinuing Export



enforcement, they did not have orders. The discontinuation is not necessarily linked with its implementation. Possible explanations might include a high frequency of products or items that a relatively high percentage of sampled firms deal in, and the size of samples being too small for their representativeness.

Figure 10 Export Entrants by Section and by Number of Firms

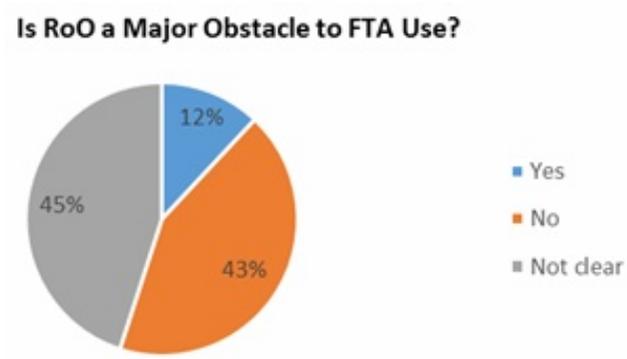
As in Figure 10, new entrants in section VII (chemical products, medicine and cosmetics) have the largest number of firms (13 firms). Followed is section VIII (machinery, electronic and electrical appliances and parts) by 12 firms. Interestingly, with reference to Korea's schedule of tariff commitments, new entrants do not fall into sections that shall enjoy a large margin of FTA preference. For instance, the sampled firms with new entrants in section XIII out-number those in section XXII (See Figure 10); with reference to Table 2, 60% dutiable goods in section XXII shall have a zero tariff effective as of December 20, 2015, and in a sharp contrast, only 16% dutiable goods in section XIII have a staging phase "0", i.e. effective as of December 20, 2015.

The above examination leads us to the conclusion that over a 100-day-FTA implementation period, most firms have not yet managed to adjust their product business strategy. The "gains" as ChKFTA could have allowed for take time for traders to harvest in the future.

4.3. The Role of RoO under the Agreement

4.3.1. Firms' evaluation of RoO

Figure 11 Firms' Perception of RoO as Constraint to the Use of ChKFTA (N=1421)



To collect information of high quality about firms' perception about types of RoO in their trading activities, questions are set as multiple choices. We have a total of 2074 replies. For the sake of statistical result's representativeness, we refine our samples. Firstly, we pin down on products that are dealt in by above 30 firms. Secondly, in calculating percentage, we excluded replies of "unclear". As a result, in our sub-dataset are 1428 samples of actual use, and 1276 samples of preferred use (see Table 5).

As Figure 12 shows, in practice, firms use "wholly obtained" ("WO"), "change in tariff" ("CTC"), "processes", and finally "regional value-added content" ("RCV") in an order of decreasing frequency. Figure 13 demonstrates that in some sectors, WO is more preferred than in actual use; but in other sectors, two groups have a close percentile. It is worthy of note that for most sections, firms preferred to use more of RCV rather than CTC or processes. One possible explanation might be a

Table 5 Actual Use vs Preferred Use of Sector-Specific Origin by Number of Firms

Section Code	Actual use	Preferred use
IV	34	36
VII	309	286
VIII	94	79
X	37	27
XII	129	113
XIII	147	131
XIV	94	86
XVI	73	66
XVII	44	39
XVIII	277	252
XIX	53	44
XX	38	42
XXII	99	75

relatively low frequency of actual RCV use. This could be associated with currently a low percentage of RCV applicable to items, or a rather restrictive origin provision. It follows that firms demonstrate a relatively strong expectation for RCV restrictiveness to decrease or relax. As for Section X, firms demonstrate a conspicuous preference for CTC. Such a preference is actually satisfied by the Agreement where CTC or CTH is applicable to section X.

Figure 12 Percentile of Actual Use of Types of RoOs (N=1428) by Product Section

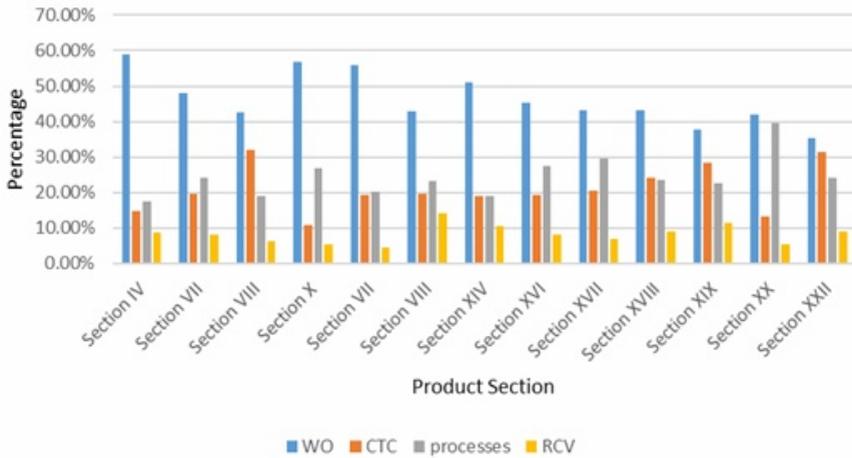
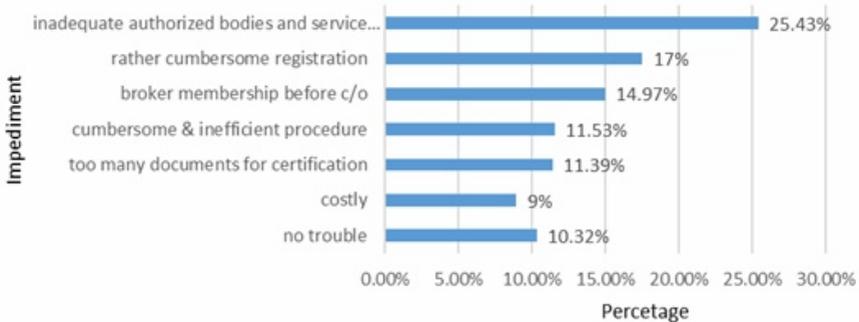


Figure 13 Change in Percentile of Preferred Use against Actual Use of Types of RoOs (N=1276) by Product Section



4.3.2. Firms' perceptions and views about obstacles in c/o application

Figure 14 Impediments in C/O Application (N=1396)



As can be seen in Figure 14, the impediments involved in the certificate of origin (c/o) application to firms include “inadequate authorized bodies and service agencies”, “rather cumbersome registration”, “broker membership, a must before c/o application” in order of seriousness. Overall, only 8% of firms reported “no trouble”; 92% of firms complained about difficulty of varied types and varying degree. For a trouble-free 48-hour customs entry, there is room to improve for efforts in promoting more convenient c/o application at a low cost.

5. Concluding Remarks

This paper examines traders' knowledge about and use of ChKFTA in the first quarter of 2016 and the impact of its implementation on their trade in goods by a questionnaire-based firm survey. It provides evidence for a better understanding of how ChKFTA implementation has influenced trading activities and future efforts in improving its utilization rate.

It concludes in two important findings. Firstly, the utilization of tariff reduction is far from satisfactory. One plausible reason is that over a short period of 100-day-long implementation, most of firms have not come to familiarize themselves with the FTA preference. Another sound reason is that many items fall into staging categories of “5”, “10”, “15”, and “20” for mutual benefit considerations, but in the distant years. It follows that an overwhelming majority of sampled firms have not yet altered corporate strategies and planning accordingly for exporting and importing when new products and exit ones are concerned. Surprisingly, preferential tariff is quite under-utilized on sections of VII, XXII, XIV and XVII with reference to their export value. These sections should be shortlisted as targets for enhancing utilization rate. In contrast with 62% of export firms in their use of preferential tariff, importing firms fall far behind, with 35% reporting “use FTA preference” plus “plan to use”. This finding could be associated with an overwhelming majority of exporting firms in the dataset. Nevertheless, importing firms should also be shortlisted as targets in future efforts towards enhancing utilization rate.

Secondly, as is expected, their cognition of concepts both FTA and RoO is better than that of sampled firms in Zhang *et al.* (2010), but with room for urgent improvement. Despite RoOs, a crucial element of each FTA, and an informed constraint, nearly half of the sampled firms do not understand types of RoOs as potential impediments to use of preferential rate. What is more, their shortage of knowledge in origin provisions, and another shortage of authorized bodies and service desks top the list of constraints in their expanding dutiable exports to the Korean market. This points to an agenda for competent authorities and industrial associations to extend more related service to traders.

This paper also finds its contribution and value in a number of aspects, including the dataset being largely representative of Chinese

traders' knowledge and use of FTAs, providing a window on the status quo of the use of China's FTAs. To our best knowledge, our study, though at a preliminary stage, is a pioneer project in China, aiming at tracking down and assessing a specific FTA implementation outcome at intervals, quarterly and annually, for example, with a current focus on tariff reduction and RoO in international trade.¹

Notes

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1. In forthcoming reports on an annual assessment, we will administer an updated version of the current questionnaire for a larger sample size of higher quality, and conduct a triangulation test of findings, for instance, from adopting Hamanaka (2013)'s distinction of usage rate and utilization rate for a thick analysis of import and export statistics.

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Appendix**Matching Table of 23 Sections and Chapters 01-98 in HS Two Digits**

Goods in HS CODE	CODES DESCRIPTION
SECTION I	ANIMAL PRODUCTS (HS CODEs 01-05)
HS 01	Live animals
HS 02	Meat and edible meat offal
HS 03	Fish other aquatic invertebrates
HS 04	Dairy produce; birds eggs; natural honey
HS 05	Products of animal origin, not elsewhere specified or included
SECTION II	VEGETABLE PRODUCTS(06-14)
HS 06	Live trees and other plants;
HS 07	Edible vegetables and certain roots and tubers
HS 08	Edible fruit and nuts;
HS 09	Coffee, tea and spices
HS 10	Cereals
HS 11	Products of the milling industry;
HS 12	Oil seeds, nuts and oleaginous fruits; medicinal plants;
HS 13	Lac; gums ,resins
HS 14	Vegetable plaiting materials;
SECTION III	ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; (15)
HS 15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
SECTION IV	PREPARED FOODSTUFFS; BEVERAGES
HS 16	Preparations of meat or other aquatic invertebrates
HS 17	Sugars and sugar confectionery
HS 18	Cocoa and cocoa preparations

HS 19	Preparations of cereals, pastry cooks' products
HS 20	Preparations of vegetables, fruit, nuts
HS 21	Miscellaneous edible preparations
HS 22	Beverages, spirits and vinegar
HS 23	Residues and waste from the food industries; prepared animal fodder
SECTION V	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES
HS 24	Tobacco and manufactured tobacco substitutes
SECTION VI	MINERAL PRODUCTS
HS 25	Salt; sulphur; earths and stone; plastering materials, lime and cement
HS 26	Ores, slag and ash
HS 27	Mineral fuels, mineral oils and products of their distillation;
SECTION VII	PRODUCTS OF THE CHEMICAL, MEDICINES OR COSMETICS
HS 28	Inorganic chemicals; organic or inorganic compounds of precious metals or of rare-earth metals
HS 29	Organic chemicals
HS 30	Pharmaceutical products
HS 31	Fertilizers
HS 32	Tanning or dyeing extracts
HS 33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations
HS 34	Soap, washing preparations, lubricating preparations;
HS 35	Albuminoidal substances;
HS 36	Explosives; certain combustible preparations
HS 37	Photographic or cinematographic goods
HS 38	Miscellaneous chemical products
SECTION VIII	PLASTICS AND ARTICLES THEREOF; RUBBER AND ARTICLES THEREOF
HS 39	Plastics and articles thereof
HS 40	Rubber and articles thereof

SECTION IX	LEATHER AND ARTICLES THEREOF;
HS 41	Raw hides and skins (other than fur skins) and leather
HS 42	Articles of leather;
HS 43	Fur skins and artificial fur; manufactures thereof
SECTION X	WOOD AND ARTICLES OF WOOD OR OF OTHER PLAITING MATERIALS;
HS 44	Wood and articles of wood; wood charcoal
HS 45	Cork and articles of cork
HS 46	Manufactures of straw or of other plaiting materials;
SECTION XI	PULP OF WOOD,PAPER AND ARTICLES THEREOF
HS 47	Pulp of wood or of other fibrous cellulosic material;
HS 48	Paper and paperboard
HS 49	Printed books, kraft paper and other products of printing industry ;
SECTION XII	TEXTILES AND TEXTILE ARTICLES (50-63)
HS 50	Silk
HS 51	Wool, fine or coarse animal hair;
HS 52	Cotton
HS 53	Other vegetable textile fibres;
HS 54	Man-made filaments" strip and the like of manmade textile materials
HS 55	Man-made staple fibres
HS 56	Wadding, felt and nonwovens;
HS 57	Carpets and other floor coverings
HS 58	Special woven fabrics;
HS 59	Impregnated, coated, covered or laminated textile fabrics; t
HS 60	Knitted or crocheted fabrics
HS 61	Articles of apparel, knitted or crocheted
HS 62	Articles of apparel, not knitted or crocheted
HS 63	Other made up textile articles;

SECTION XIII	FOOTWEAR, HEADGEAR, UMBRELLAS, SUN UMBRELLAS, WALKING-STICKS, SEAT-STICKS, WHIPS, RIDING-CROPS AND PARTS THEREOF; PREPARED FEATHERS AND ARTICLES MADE THEREWITH; ARTIFICIAL FLOWERS; ARTICLES OF HUMAN HAIR
HS 64	Footwear, gaiters and the like; parts of such articles
HS 65	Headgear and parts thereof
HS 66	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof
HS 67	Prepared feathers & down & articles made of feathers or of down; artificial flowers; articles of human hair
SECTION XIV	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS; CERAMIC PRODUCTS; GLASS AND GLASSWARE
HS 68	Articles of stone, plaster, cement, asbestos, mica or similar materials
HS 69	Ceramic products
HS 70	Glass and glassware
SECTION XV	NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMI-PRECIOUS STONES, PRECIOUS METALS, METALS CLAD WITH PRECIOUS METAL AND ARTICLES THEREOF; IMITATION JEWELLERY; COIN
HS 71	Natural or cultured pearls ,precious or semi-precious stones, precious metals; metals clad with precious metal and articles thereof, imitation jewellery; coin
SECTION XVI	FERROUS METALS AND ARTICLES OF BASE METAL
HS 72	Iron and steel
HS 73	Articles of iron or steel

SECTION XVII	OTHER NONFERROUS METALS OR OTHER BASE METALS AND ARTICLES THEREOF
HS 74	Copper and articles thereof
HS 75	Nickel and articles thereof
HS 76	Aluminium and articles thereof
HS 78	Lead and articles thereof
HS 79	Zinc and articles thereof
HS 80	Tin and articles thereof
HS 81	Other base metals; cements; articles thereof
HS 82	Tools of base metal
HS 83	Miscellaneous articles of base metal
SECTION XVIII	MACHINERY AND MECHANICAL APPLIANCES; ELECTRICAL EQUIPMENT; PARTS THEREOF; SOUND RECORDERS AND REPRODUCES, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES
HS 84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
HS 85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
SECTION XIX	VEHICLES, AIRCRAFT, VESSELS AND ASSOCIATED TRANSPORT EQUIPMENT
HS 86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling
HS 87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof
HS 88	Aircraft, spacecraft, and parts thereof
HS 89	Ships, boats and floating structures

SECTION XX	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC MEASURING, CHECKING, PRECISION MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; CLOCKS AND WATCHES; MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES THEREOF
HS 90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
HS 91	Clocks and watches and parts thereof
HS 92	Musical instruments; parts and accessories of such articles
SECTION XXI	ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF
HS 93	Arms and ammunition; parts and accessories thereof
SECTION XXII	MISCELLANEOUS MANUFACTURED ARTICLES
HS 94	Furniture; bedding, mattresses, mattresses supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like, prefabricated buildings
HS 95	Toys, games and sports requisites; parts and accessories thereof
HS 96	Miscellaneous manufactured articles
SECTION XXIII	WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES OR OTHER UNCLASSIFIED GOODS
HS 97	Works of art, collectors' pieces & antique
HS 98	Donated goods, charity supplies, military items and goods unclassified

***Norms, Institutions and Realpolitik:
History and Evolution***

**Political Reforms in a Global Context:
Some Foreign Perspectives on
Constitutional Thought in Late Imperial China**

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Abstract

This paper presents some outside views on the emergence of Chinese constitutional thought. It shows that Chinese constitutionalism in the beginning of the 20th century did matter to the outside world and did attract a large interest on a global scale. Foreign views were quite diverse. While most observers welcomed the adoption of a constitution in principle, there were many words of caution that such a transition should not be rushed, notably among diplomats and politicians. Foreign powers thus adopted a policy of not pressuring China to adopt a constitution. In particular, this paper redefines the role of the Japanese statesman Itô Hirobumi, who continually tried to give his advice to the Qing government up until his death in 1909.

Keywords: *constitution, late Qing, political reforms, foreign perceptions, Itô Hirobumi*

1. Introduction

In modern nation-states, the notion that the core norms of the polity and the functioning of its institutions are governed by a “constitution” has become almost universal. But for a few exceptions, most states have written constitutional charters, which in many cases possess a strong symbolic value that goes well beyond their mere legal function. In China, too, President Xi Jinping (习近平 , 1953-) has repeatedly stressed the importance of the Constitution of the People’s Republic of China, and created a “constitution day” to be celebrated every 4th of December. The Chinese government has officially adopted the description that the constitution is the core of a “socialist legal system with Chinese characteristics” (Zhonghua Renmin Gongheguo Guowuyuan Xinwen Bangongshi, 2011).

Yet, in China, “constitution” is mostly described as a “good shipped from abroad” (舶來品 / *bolaipin*) (e.g. Qi, 2011; Zhai, 2016; Ma, 2008), and hence is often seen as an alien object difficult to be fit into the Chinese polity. This leads to some uneasiness in dealing with the concept. Zhai Guoqiang (翟國強) argues that throughout the Chinese constitutional history up to today, the Chinese society as a whole has not yet developed a sufficient sense of constitutionalism and urges that such a sense be developed through political mobilisation (Zhai, 2016: 120).

However, the modern concept of constitution has been around in China since the end of the 19th century. At that time, Chinese intellectuals, studying and discussing European and Japanese experiences, came up with many proposals about how to reform and modernise China. In the first decade of the 20th century, the idea of adopting a constitution and transforming the Qing (清 / Ch’ing) Empire into a constitutional monarchy came to dominate China’s political agenda. If constitutionalism is a good that has been “shipped from

abroad”, it was at that time that the shipment took place. But if constitutionalism was supposedly “shipped” into China, it must have been shipped from somewhere. The narration of China’s constitutional history should not obfuscate the fact that late Qing constitutional reforms did not take place in a vacuum. Rather, they took place in an international environment in which constitutions and constitutionalism were lively discussed.

What, then, happened at the other side of the supposed shipment? How did Qing China’s “constitutional preparation” fit into this international environment? Was it really just an attempt at importing foreign models? This paper tries to explore an aspect of these questions by analysing some foreign views on the Chinese constitutional reforms of 1905-1911 – i.e. views held by non-Qing subjects and uttered in other languages than Chinese. How were the constitutional reforms attempted in the late Qing Empire, beginning from 1905 up until 1911, viewed from the outside? Was the foreign perception at that time different from the Chinese one? Were the reforms important on a political level? What did this concept mean for China’s standing in the world at that time? How did foreign powers react to the Chinese attempt of restructuring their state?

Answering these questions is not only important for the study of global constitutional history, but also provides some fresh perspectives on the Chinese constitutional movement as such. Furthermore, these foreign views had implications within China, for Chinese intellectuals and officials themselves were indeed concerned with what foreigners thought about the reforms. Sometimes they felt disconcerted by this attention, as is shown by a curious note in the *Shenzhou Ribao* (神州日報) on 9th October 1909:

“... The Consul of a certain state has deemed it necessary to immediately translate the items of discussion of the Provincial Assembly ... He produced four copies, of which he sent each one to his government, one to the Minister in Peking and one to Tsingtau, and kept one for himself. Do we Chinese even know that the foreigners are following everything with such attention?”

(in: Deutsche Gesandtschaft in China, 1906-1909: 147)

But very often, foreign perceptions of China were translated back into Chinese and thus had an influence on the Chinese discourse itself (cf. “Japanese opinion on the Chinese situation”, *The South-China Daily Journal*, 18th June 1907).

The paper argues that Chinese constitutional reforms were indeed closely followed by foreign observers and that this transition to a constitutional state on modern molds mattered to them. However, foreign views were not uniform, and constitutionalism was not necessarily felt to be the absolute priority within China’s reforms. There was not only the criticism that the Chinese government was not doing enough to establish a constitution. Next to this, the paper shows that not few non-Chinese observers had quite cautious opinions about China’s quest for a constitution.

As possible, the selection tries to render the broad geographical and linguistic diversity of opinions. It shows the global radiation of the late Qing constitutional enterprise, which was limited neither to the national boundaries of China nor to the regional bounds of East Asia. Thus, it not only considers papers published inside Chinese territory by foreign subjects in foreign languages. It also uses sources from neighbouring Japan as well as from monarchical and republican polities in Europe and the Americas.

Furthermore, the Chinese constitutional movement did have an impact on both the level of published intellectual discourse as well as the political level of international diplomacy. Printed public opinion had stances somewhat different from foreign diplomats and politicians, who tended to be a bit more cautious about the prospects of constitutional reform in China. Thus, the hope that China might adopt a constitution did not translate into direct political pressure for constitutional reforms.

The country with the closest connection to China was Japan, and Japanese views of Chinese constitutional reforms tended to be quite pessimistic. To this effect, the example of Itô Hirobumi (伊藤博文, 1841-1909) is taken. Previous literature, based on Japanese sources, has argued that he pursued a “hands off” approach to Chinese constitutional reforms (Takii, 2014: 178-180). However, a combination of Japanese, Chinese and European sources shows that the “constitutional evangelist” (*ibid.*: 75-100) did indeed incessantly try to exert his influence on the Chinese constitutional process from its inception up to his very death in 1909.

2. China’s Transition towards Constitutional Monarchy and Its Reception in East and West

The terms “constitution” and “constitutional” are highly polysemic. In one sense, “constitution” means the set of norms which define the organisation of a polity. In this sense, every polity does have a constitution. In a narrower sense, “constitution” means the written document which codifies these norms, and provides for some kind of separation of powers and popular representation. (On the various meanings of “constitution” on the state level cf. Heller, 1983: 281-315.)

Especially since the late 18th century, more and more polities across the globe ventured to become constitutional states by adopting

constitutional charters. This did not only happen in Europe and North America, but also in South America, Oceania, Asia and Africa. Dennewitz counts 422 constitutional charters enacted between 1776 and 1947 on all continents (Dennewitz and Meißner, 1947: 14-24), or about 2.5 a year. Even if this list is imperfect in several regards, it confirms what the Japanese constitutionalist Ariga Nagao (有賀長雄, 1860-1921) wrote in 1900: constitutionalism was one of the paramount features of the 19th century (Ariga, 1900: 1051-1058). One must amend his observation: the “constitutionalisation” of the world extended to all continents and continued until well into the 20th century.

How did China participate in this world-wide trend? Imperial China had always had a highly complex system of administration, which had been described in the West under the term “constitution” (in a very broad sense) from the late 18th and early 19th century onward (cf., e.g., Schiller, 1799; A Correspondent, 1836; Castelar, 1898). During the 19th century, in many cases, Western foreigners stressed that Imperial China was an absolute monarchy wherein the Emperor had supreme authority over everything (cf. Hegel’s chapter on the Chinese “constitution” in: Hegel, 1919: 288-302).

But such one-sided descriptions were far from being overwhelmingly dominant. More perspicacious observers stated that the perception of an “absolute Cæsarism” (de Groot, 1885: 82) was dominant just to deconstruct it by providing a more nuanced counter-argument. They stressed that the Emperor had absolute power in theory, but that *in praxi* his rule was hamstrung by a highly organised meritocratic bureaucracy and that its outreach into the local level was rather weak, leaving considerable autonomy to the local communities. Thus, characterisations of the Chinese “constitution” as having “republican” and even “democratic” elements were quite common in the 19th century (Taw, 1900: 278; Parker, 1900: 270; “Der chineifische

Hof”, *Neuigkeits-Weltblatt*, 6th June 1893; “Editorial selections. The Constitution of the Chinese Empire.” *The North-China Herald*, 18th December 1879).

It was in the last years of the 19th and even more in the first years of the 20th century, under the impression of political and economic weakness vis-à-vis foreign powers, that Chinese thinkers came up with ideas to promulgate a constitutional charter in China and thus to introduce a constitutional government in the narrower sense. Such thoughts stood in dialogue with the outer world and were accompanied by extensive commentary by in outside of China as well as in the foreign-language media of China.

Foreigners noticed this new Chinese constitutionalism quite early, in the mid- and late 1890s. Thus, Sun Yat-sen (孫中山 / 孫逸仙)’s armed uprising of 1895 was said to aim at “establishing a constitution for China” (“He plans to free China”, *Chicago Daily Tribune*, 6th December 1896). And in 1898, the Japanese newspaper *Asahi Shimbun* (朝日新聞) published a long article on the constitutionalist movement in the Yangtze provinces (“楊子江畔の判徴 (支那の立憲黨) / *Yōsukō-han no hanchō (Shina no rikkentō)*”, 1898).

But when foreign observers did talk about the Chinese constitution in that period, it was still often in the broader sense, without implying China’s constitutional movement. Changes in the constitution did not necessarily mean the establishment of a written constitution embodying the typical content of modern constitutions:

The constitution of China was framed 2000 years ago. It must have had some merit to have survived so long, but the time has come for modification if not for radical change.

(“Looking forward”, *Los Angeles Times*, 30th October 1898)

There was much debate about “reforms” in China in the last years of the 19th century, and foreign debate at that time did show much support for them, as is evidenced by the declaration of the British Prime Minister, Lord Salisbury (1830-1903):

If I am asked what our policy in China is, the answer is very simple. It is to maintain the Chinese Empire, to prevent it from falling into ruins, to invite it into paths of reform, and to give it every assistance which we are able to give it to perfect its defence or increase its commercial prosperity.

(“Lord Salisbury on foreign affairs”, *The Times*, 30th June 1898)

This debate about “reforms” mostly meant reforms of the administration, particularly the fiscal administration, the military and the educational system (cf., e.g., Sinicus, 1899). Occasionally non-Chinese language sources of the late 19th century, without explicit linkage to the notion of constitutionalism, touched upon one of its main elements: representative institutions. Thus, the multicultural Taw Sein Ko (杜成誥, 1864-1930), a Burmese-Chinese gentleman who made his career in the British colonial administration in Burma, argued in the *London Imperial and Asiatic Quarterly Review* that the majority of China’s institutions and methods of government were “an anachronism in the nineteenth century” (Taw Sein Ko, 1897: 37), and suggested “representative institutions of a simple kind” (*ibid.*: 273). However, his British audience was not convinced that representative institutions were easily feasible, not even in European countries (cf. Roe, 1902 on Austria, p. 345). For China specifically, the British Judge Frederick Samuel Augustus Bourne (1854-1940) dismissed such ideas stressing that their ideas were “entirely alien to the Chinese mind” (“Can China progress?” *The North-China Herald*, 15th May 1899).

In general, debates about China's political modernisation in the late 1890s usually did not yet touch upon the establishment of a constitutional charter and of constitutional government in the narrower sense of the word. This reflected the fact that "constitutionalism" did not yet feature in the Chinese central government's policies. The word did not appear in any of the *100-Day Reforms* (戊戌變法 / 百日維新) passed by the Guangxu Emperor (光緒帝) in the summer of 1898. It did probably not even figure in the basis to the reforms, the suggestions of Kang Youwei (康有為, 1858-1927) (cf. Rao, 2011, with further references), although the 1898 reforms came to be seen as having included constitutionalism quite early, even before the Xinhai Revolution (辛亥革命) (e.g. Deutsche Gesandtschaft in China, 1902-1906: 38).

The reforms of 1898 were rigorously suppressed after about 100 days (hence their name). However, the crackdown was only temporary. Just two years later, in 1900, the Boxer Rebellion (義和團運動) rocked Northern China. In an undeclared war, foreign armies invaded Peking (北京), and the Imperial Court fled to the city of Xi'an (西安). After the rebellion had been quelled and the Court returned to the capital, the Chinese government vowed to pursue modernisation not only in technical, but also in political matters. On 29th January 1901, the Court famously issued an edict calling for political reforms in China (Gugong Bowuyuan Mingqing Dang'an Bu, 1979b: 915).

Therein, the Empress Dowager Cixi (慈禧太后, 1835-1908) stressed that, while the "eternal principles" of the Chinese state were unchangeable, "human dispositions" were indeed prone to political reforms. Furthermore, it was perfectly permissible to "take the strengths of foreign countries in order to amend China's shortcomings". And while

the Chinese, stressed the edict, had theretofore learned superficialities like foreign languages and technology, one had failed to learn the core of Western government. The new policies instituted after the edict of 29th January 1901 became known as the *Xinzheng* Reforms (新政: renewal of government or new policies).

The Boxer rebellion had not only once more evidenced China's political and military weakness, it had also further damaged China's international prestige. But international recognition for the Chinese intent to reform the country was readily obtained in the following years, particularly in the field of legal reforms. Several foreign powers declared that they were prepared to relinquish their extra-territorial rights in China depending on "the state of the Chinese laws, the arrangement for their administration, and other considerations" – United Kingdom, 1902 (MacMurray, 1921: 342-356, Art. XII); Japan, 1903 (*ibid.*: 411-422, Art. XI); USA, 1903 (*ibid.*: 423-452, Art. XV).

Gradually, many Chinese intellectuals and officials came to see the establishment of a constitution as key to the political renewal of China. This notion was momentarily reinforced in 1904/05, when absolutist Russia suffered a devastating military defeat to a Japan that had been constitutionally governed since 1890. Beyond being the victory of one country against the other, Chinese published opinion interpreted it as the triumph of "constitutionalism" as such:

This was not a war between Japan and Russia, but a war between the two systems of governance, constitutionalism and absolutism. (此非日俄之戰也。乃立憲專制二治術之戰也。)

(*Dongfang Zazhi*, 1905: 203)

Hence, on 16th July 1905, the Chinese government decided to send a delegation of high-ranking officials abroad to study the political

systems of various groups, an enterprise modeled on the Japanese Iwakura Mission (岩倉使節團) of 1871 (the edict is to be found at Gugong Bowuyuan Mingqing Dang'an Bu, 1979a: 1). Even though the terms “constitution” and “parliament” did not appear *expressis verbis* in the text, it was rather clear that they should be the main object of study.

Travelling in two groups, the five commissioners and their large entourage visited a total of 14 countries, including Japan, the United States, the United Kingdom, Germany and France. Their arrival did receive considerable public and official attention in the countries they visited, and the prospect of a constitutional government was, in general, treated as a positive outlook for China. Thus, North American politician and three-time presidential candidate William Jennings Bryan (1860-1925) published a large article in which he described the various reforms China was effecting. About the expected parliamentary constitution, he wrote that there was “a distinct advance along governmental lines, and this in itself means much for China [and] for the outside world” (Bryan, 1906).

But although the main objective of the tour was the study of political systems, it did not always take the centre stage in the activities of the commission. The commissioners’ interests were very broad and by no means limited to just the constitutional charter. Much to the opposite, they sometimes seemed to be more interested in their host countries’ industries than in their political systems. And their hosts, too, did not necessarily see constitutionalism as a priority in China’s reform. Rather than explaining constitutional principles, they seemed eager to show them their industries:

According to the plan devised by the Chinese government, the task was mainly to study the conditions of state and constitutional law. But the gentlemen soon inclined to the industrial aspects. Of course, this

was supported in all kinds possible, for it was here that practical successes were to be expected in the future.

(Deutsche Gesandtschaft in China, 1902-1906 (Peking II 593), p. 171)

When the commissioners returned to Peking, they vociferously recommended the establishment of a constitution in China. The Qing government opted in favour of constitutionalism, but decided to proceed slowly, in facing mounting internal criticism that it was insincere or introducing a “sham constitutionalism”. On 1st September 1906, the Court declared that it would “prepare for constitutionalism” (Gugong Bowuyuan Mingqing Dang’an Bu, 1979a: 43-44). The government would first effect the various reforms deemed to be fundamental for constitutional government, and after a period of “several years” it would proceed to introducing constitutionalism as such. The first reform that was carried out to this effect was the reform of central government in November 1906 (*ibid.*: 471-472).

These first steps of “constitutional preparation” were received abroad with mixed feelings. Both many foreign papers as well as the foreign-language press of China surely greeted the prospect of China moving towards constitutionalism. For example, as far as in the antipodes of China, the press organ of the Brazilian Republican Party characterised the constitutional movement as a “peaceful revolution” that was “shaking the fundamentals of the old institutions for the advent of a new, constitutional and progressive China” (“A China revolucionaria”, *A Republica: Orgam do Partido Republicano Federal*, 26th February 1907). And the paper *A Imprensa* celebrated the “fortunate news for the Chinese people”: In the old world, only the Sultan of Turkey and the Emirs of Bukhara and of Afghanistan would remain *de jure* despotic and autocratic rulers (“A China constitucional”, *A Imprensa*, 28th December 1907).

But, as was the case with many Chinese-language criticisms, there were concerns that the government was not serious about its declarations, particularly in the foreign-language press of China. Many saw the decision of 1st September 1906 as a mere symbolic concession. *The North-China Herald* (北華捷報), for example, implying that it desired China to transform into a constitutional country, saw in it merely “an academic admission of the theoretical desirability of constitutional government without marking any practical advance in the direction of the grant of an actual constitution.” (“Notes and comments. The Constitution Decree.” *The North-China Herald*, 28th September 1906, p. 763)

This was supported by the vagueness of the declaration, which was a statement of principle, but did not specify details of the constitution to come. It did just state that the process of constitutional preparation should be finished after “several years” (數年), at which point a date for the implementation of a constitution would be decided. A concrete timeline was not given. *The North-China Herald* rumoured that this might be a result of the machinations of Tieliang Mu Ercha (鐵良穆爾察, 1863-1939), Minister of War, who was deemed to be the “head of the opposition clique” to constitutional reform, and had allegedly asked Cixi to change the word “three” in the original draft to “several”. Because of this redactional change, *The North China Herald* concluded that the edict was “unsatisfactory” and “disappointing” (“Notes on native affairs. The question of ‘time.’” *The North-China Herald*, 7th September 1906, p. 571).

Observers tended to see a struggle at Court between two factions, of reformers and reactionaries respectively, where the reactionaries were not necessarily losing the battle. After the first reform of November 1906, *The North-China Herald* wrote that the reactionary party had received a decisive check and that the reformers were now in a

favourable position. Still, the paper warned that ingrained habits were not to be reformed by a decree of paper and that the movement “to be thorough must be slow and sure”. Hence, it was still too early to see: Theretofore, the reform movement was restricted to the shuffling of some high officials and to “some praiseworthy utterances in imperial decrees”. (“The progress of reform”, *The North-China Herald*, 9th November 1906, p. 294)

Small as *The North-China Herald* might have judged these first advances to be, when a long period of official silence on the matter of reforms followed and the expected reform of provincial governments failed to come out for over half a year, the reform movement seemed to have stalled. The conservatives were deemed to have regained the upper hand, and evaluations of China turned negative again. Thus, in February 1907, it considered China to have fallen back to reaction and exhorted the foreign powers to reconsider their attitude towards China, which in the past year had improved to the point of seeking “to treat with China as with one of themselves”. (“Found waiting”, *The North-China Herald*, 1st February 1907, pp. 213-214)

Similarly, China’s decision to enact political reforms in September 1906 as well as the first reform of November 1906 received mixed, but predominantly pessimistic, reactions in the Japanese press. For correlating with the enormous Chinese interest in Japan, there was also an enormous interest in Japan about how China fared in her attempt to switch to a constitutional mode of government. Newspapers and magazines were full of analyses of the Chinese situation. Often, the press opinion is not separable from the stances of Japanese political notables, for many of them penned articles of large influence in the press organs, and at times the Japanese press seemed to be directed by the government (cf. Auswärtiges Amt - Abteilung A, 1908: 7).

Certainly, the Japanese congratulated the Chinese government for having come up with reforms. Some papers were “impressed most favourably by the progress being made” (cf. “The Imperial Envoy from China”, *The Japan Times*, Thursday, 5th December 1907, in the context of a diplomatic visit) and others expressly lamented the pessimistic views of Westerners on the matter (“Notes and Comments. The Constitution Decree.” *The North-China Herald*, 28th September 1906: p. 763). But most were themselves pessimistic about the prospects of reform. They saw the biggest obstacle in the necessary centralisation of China and the resistance expected from the concerned officials, especially the Viceroy. If already the reform of the central government had to be seen as failed, then there was even less hope in the reorganisation of provincial governments. Under these circumstances, the utmost which could be hoped for, so one paper stated, was “a federation of states”. (Reviews of the Japanese press in: *Deutsche Gesandtschaft in China, 1906-1909*: 402-403, 424)

The Japanese also very commonly accused the Chinese government to be merely reshuffling personnel and effecting formal changes. In this sense, the *Jiji Shimpō* (時事新報) commented that China was not yet prepared for deep reforms of the state, and that the Chinese government was wrong in thinking that mere edicts and external measures would suffice to immediately “climb to the height of western culture”. After all fuss made about the reform, the Chinese had given birth to a “ridiculous little mouse”. Instead, for real reforms, the whole people would have to be effected by a spirit of deep longing for improvement and progress, something for which there were not yet any indications. Others believed that there lacked a patriotic and selfless spirit as in Japan and pondered that, while the Meiji Restoration (明治維新 / *Meiji ishin*) had meant a change of government in Japan, in China the Manchus (滿族) were

continuing in power. (Reviews of the Japanese press in: Deutsche Gesandtschaft in China, 1906-1909: 398-399, 402-403, 424-425)

To sum it up, the *Kokumin Shimbun* (國民新聞), a paper well-known for its closeness to the Japanese government, saw nothing more than “miserable patchwork”, and deemed that “a real reform of administration in the constitutional sense” was unthinkable at the present moment (Deutsche Gesandtschaft in China, 1906-1909: 402). *The Japan Times*, an English-language paper edited by Japanese, finally, could not see more than a “so-called reform” (“China’s so-called reform”, *The Japan Times*, Tuesday, 13th November 1906).

However, there was not only criticism of the Chinese government’s allegedly lackadaisical stance towards constitutionalism. Not all newspapers shared the disappointment about the few tangible results or the impatience about the reform results. In Japan, the *Nichi Nichi Shimbun* (日日新聞), though seeing difficulties, expressed hope in the future and called for patience, for large parts of the population nurtured the wish for reforms. (Deutsche Gesandtschaft in China, 1906-1909: 403). In a similar vein, Count Ôkuma Shigenobu (大隈重信, 1838-1922) stated that the Chinese people had an “eminent talent for parliamentarism”: A people that had been able to change the 1500-year old examination system at once would also be able to carry out further reforms (*ibid.*: 425).

And there were also Western papers holding that the process should be carried out in a slow and circumspect manner. In October 1907, the *Münchener Allgemeine Zeitung* (“Verfassungspläne in China”, *Münchener Allgemeine Zeitung*, 20th October 1907) positioned itself against “almost the whole Chinese press”, which was belittling the creation of an advisory body, the Zizhengyuan (資政院). Instead, the paper was convinced that the Chinese government, to which it attested “great intelligence and prudence”, was “very earnest” in its will to establish a

constitution in the occidental sense as soon as the country was mature for it. The Chinese people was not yet mature for a constitution, and even after 15 years, it would only be mature if it were systematically taken to that point.

More fundamentally, the Japanese jurist Nakamura Shingo (中村進午, 1870-1939) questioned the enthusiasm nurtured by many Chinese intellectuals about constitutionalism being the key to national success. In December 1906, the Japanese jurist published an article in the renowned foreign policy magazine *Gaikō Jihō* (外交時報). Therein, he refuted the notion that it had merely been constitutionalism that had lifted Japan to the condition of internationally respected power. While not denying that constitutionalism was something ultimately desirable, he pondered that there had been many other factors to Japan's rise than just constitutionalism, and that constitutionalism alone did not ensure national success. Nay, it did not even ensure national existence:

“Hasn't constitutional Hawai'i disappeared? What about constitutional Transvaal?” (立憲せる布哇亡びざりしか。立憲せるトランスヴァールは如何。)

(Nakamura, 1906: 255-256)

While the referred opinions all approved of constitutionalism as such, differing in their assessments of its implementation in China, there were also foreign voices that fundamentally opposed it, even if they were a small minority. Just as discourse in favour of constitutionalism was global, opposition to it was not restricted to conservative Chinese circles either. While the most prominent non-Chinese figure to speak out against constitutionalism in China was the famed Russian writer Leo Tolstoy (Лев Толстой, 1828-1910), his anti-constitutional positions were also heard and shared in Central Europe.

In 1905, Tolstoy received a Russian translation of Liang Qichao's (梁啟超, 1873-1929) book entitled *Li Hongzhang or the political history of China in the last 40 years* (Chinese original contained in Liang *et al.*, 1999: 510-554; Russian translation by Arsenij Nikolaevič Voznesenskij and Zhang Qingtong, 1905). Although the book, talking about China's recent history, did not place a focus on constitutionalism, it did mention it as an objective to be attained by modern states, something which Japan already had managed to do but China had not. Tolstoy sent a letter to one of the translators, Zhang Qingtong (張慶桐, 1872-?), showing opposition to such modernization. Advising against following the path of Japan, Tolstoy deemed that both the Russian and the Chinese should work out a way of life that would be independent from the government. (Cf. the mutual correspondence at Birukoff, 1925: 125-130).

Tolstoy reiterated his stance the following year (1906), when he wrote his "Letter to a Chinese" (Tolstoj, 1907) addressed to the Penang-born and British-educated Ku Hung-Ming (辜鴻銘, 1857-1928), who himself was staunchly opposed to China's constitutional reforms. In his letter (Tolstoj and Chertkova, 1936: 290-299), Tolstoy argued that if a man submitted himself to a constitution rather than to the natural or divine order, he would always be a slave. To Tolstoy, constitutions, along with a modern military and modern industries, were signs of human deprecation. China, Russia, Persia and Turkey should instead free themselves from human and submit themselves to divine authority.

Tolstoy's anarchist stance was, thus, also a comment on the Chinese constitutional movement. And while this position might have been a minority, it was heard throughout Eurasia. His letter was not only published in the original Russian (Tolstoj, 1907), but also swiftly translated into Chinese and several European languages (e.g. Tolstoi,

1906; Tolstoj, 1911). German philosopher Eugen Heinrich Schmitt (1851-1916) even made the constitutional aspect the absolute centrepiece of his 1911 edition of the letter (Tolstoj *et al.*, 1911). Under the subtitle “Exposition of the dangers of representative constitutions”, the editor expanded Tolstoj’s argument that the limitation of the ruler’s power by constitution just led to an increase of the people participating in tyranny. These peoples would then begin to prey on and plunder other peoples. The Middle and the Far East were then being the main victims of such a constitutionalism-induced exploitation, he argued. (Tolstoj *et al.*, 1911: VII-VIII)

3. Western Diplomatic Reactions to the Chinese Constitutional Reforms

Views in diplomatic and politic circles often showed a tendency to be even more skeptic than the published opinions about the rapid establishment of a constitution. Some diplomats shared the impatient or even disappointed sentiment expressed by the majority of Western-language and Japanese papers. As an example, the British Minister to China, Sir John Jordan, when he was new to his post, wrote about that “little in all this” (referring to the first reform of November 1906) could be called preparation for constitutional government. Although he saw the reorganisation as a small step in advance, he deemed it to be a very unsatisfying compromise that did not represent a substantial path away from the old ways (British Foreign Office, 1906; Meienberger, op. 1980: 53).

But in general, while the political transformation of China culminating with the promulgation of a constitution was universally seen as something desirable, and the government of the Qing Dynasty often seen as not very capable or even degenerate, one often encounters the

sentiment that, for various reasons, China had to proceed slowly in order to be successful or even that the reform declarations were too ambitious to be feasible. There was also significant skepticism about whether China was really proceeding in a way conducive to success.

In the spring of 1906, when the constitutional commissioners were still touring the world, the British Minister, Sir Ernest Satow, discussed certain reform proposals with the Viceroy of the two Yangtze Provinces, Zhou Fu (周馥, 1837-1921) (Ruxton, 2007a: 290-291, 600-601). Satow seemed to be more doubtful about “constitutional” reforms that would include a representative system than his successor, Sir John Jordan. Thus, Satow maintained that it was no use merely adapting a foreign set of institutions and that China should rather be remodelled on Chinese lines.

In Satow’s opinion, the most pressing reforms were those of currency and judicial procedure. To that effect Satow suggested that once a year, the Viceroys and Governors could hold a short meeting in the capital to discuss matters of importance to the Empire. However, Satow objected to anything that went beyond this. Zhou Fu complained that orders from the capital were difficult to carry out because the notables had not been consulted, and suggested that the Court might convoke a select number of local notables to Peking to consult them beforehand. But Satow strongly advised Zhou Fu against it, being worried that in such way the local notables might usurp the real power of the country. The Viceroys and Governors already had too much power. While separated, they could do little harm, if they came together, even if as a merely advisory body, they could turn into a revolutionary assembly similar to the *États Généraux* during the French Revolution: They would exercise a popular influence that the Court could not withstand.

Satow’s opinion was shared by diplomats of other countries as well. After the government’s decision to pursue reforms became official, it

was Satow's American colleague, William Rockhill (1854-1914), who expressed his concern that the government may be overburdening itself, while at the same time applauding the content of the intended reforms: "The programme of reforms laid down in the edict is most gratifying if carried out, but it may be feared that a few years, as pointed out in the edict, will not prove sufficient to make them, even in the rough; or, if made, that they will prove satisfactory or permanent. The task before the Government is an enormous one." (United States Department of State, 1909: 349)

And Rockhill's colleagues from the German Embassy pondered that China was not yet fit for a constitution, considering the low level of popular education and the imperfection of its transport routes. In the view of German diplomats, too, the limit of 15 was not too long, especially in light of the 9-year preparatory phase that small Japan had taken. They judged that the steps theretofore taken by the Chinese government were reasonable and purposeful, and hoped that it were not swayed by the "clamour of immature literates" to premature or else reactionary measures. (*Deutsche Gesandtschaft in China, 1906-1909*: 5)

Thus, in general, although foreign diplomats saw the need for reforms in China, Western powers decided to adopt a policy of non-interference and not to directly pressure the Chinese government to immediately become a constitutional monarchy with some kind of popular representation.

The constitutional reforms in China continued to follow their tortuous path, and foreign decision-makers continued to observe them with apprehension. On 27th August 1908, the Court came up with the backbone of a future constitution as well as a detailed to-do list of preparations until the planned enactment of the constitution and convening of a parliament in 1916 (*Gugong Bowuyuan Mingqing Dang'an Bu, 1979a*: 54-68). First elections for local assemblies were

held in 1909 in the provinces, and a national advisory body, thought to be a precursor for a parliament, convened in 1910.

In May 1911, the Chinese government introduced a new “cabinet” to become the top of the executive branch (on this cf. Rhoads, 2000: 167-170). The move was heavily criticised within and outwith the country, for the cabinet was dominated by members of the Imperial family (cf. “Zhongguo da shi ji”, *Dongfang Zazhi*, Vol. 8, No. 6, 1911). At that time, there was not yet a National Assembly to which the cabinet could be responsible, for its convening was only scheduled for the year Xuantong 5 (宣統五年, i.e. 1913). The very Chinese government, a few months later, on 30th October 1911, backtracked and exonerated the so-called Imperial kinsmen cabinet, issuing an edict acknowledging that the existing system was not in accordance with the rules practiced in constitutional countries (Gugong Bowuyuan Mingqing Dang’an Bu, 1979a: 597-598).

However, in spite of the negative public sentiments that the new cabinet was a perversion of this institution, the general direction that the Qing government was taking was still receiving support in foreign business and diplomatic circles. Edward Guy Hillier (1857-1924) and Heinrich Cordes (1866-1927), two directors of the Hong Kong and Shanghai Banking Corporation (HSBC), which was one of the signing parties of the agreement for the Hukuang (湖廣) Imperial Government Railways of 20th May 1911 (MacMurray, 1921: 866-899), noted in a memorandum sent to the British Foreign Office that the [expected – *note of the author*] responsibility of the Cabinet to the National Assembly under the new constitution was a condition not existent in previous loan agreements, and “added materially” to the value of the guarantees of the present ones. Still, the two HSBC men warned that China was “like a restive and nervous horse” and suggested that she “must be guided with a light hand rather than controlled by force” (British Foreign Office,

1911 – Mr. C.S. Addis to Foreign Office/Memorandum by Messrs. Hillier and Cordes, pp. 11-14).

4. Implications of the Chinese Constitutional Reforms for Japanese Diplomacy and the Case of Itô Hirobumi

The policy of not pressing the Chinese government for reforms while giving passive support for the reforming powers within the Chinese government was especially true for the Western powers, while in Japan the situation was very complex and even contradictory. After all, China's political and intellectual elites found much inspiration for constitutional reforms in Japan, and conversely, China had crucial importance for Japanese foreign policy, especially due to her involvement in Manchuria (滿洲). Sino-Japanese relations were not limited to the very dense interactions between both countries in all fields of modernisation, described by D.R. Reynolds as the 1898-1907 “golden decade” of Sino-Japanese cooperation (Reynolds, 1993: 5). At times, Japan also pursued a rather aggressive foreign policy of imposing her interests in China, especially in the years 1906-1908 (cf. Ministère des Affaires Étrangères, 1907-1908: 13-14 and 75-76).

In January 1906, a few months before China officially decided to move toward a constitutional government, a new government took over in Japan, with Saionji Kinmochi (西園寺公望, 1849-1940) at the helm, represented in China by Minister Hayashi Gonsuke (林權助, 1860-1939). Minister Hayashi, while being cordial toward the Court and the Chinese Foreign Office, had very good relations with the revolutionaries, and was rumoured to be collaborating with them in ways not favourable to the Qing Court (*ibid.*: 75-76). It seems that Hayashi's assessment of the political situation at Peking largely coincided with the negative views of the revolutionaries. He saw a “spirit of arrogance,

inertia and obstruction” in a Peking where reaction was reigning, and analysed that Cixi was losing power (*ibid.*: 19-21).

Officially, Japanese diplomats like Hayashi Gonsuke and Abe Moritarô (阿部守太郎, 1872-1913), who briefly acted as minister during Hayashi’s absence, stressed their will to maintain the Dynasty and to respect the territorial integrity of China, as had been publicly accorded to in several international treaties between the powers. But at the same time, the Japanese continuously stressed their willingness to intervene in China in order to maintain stability. Such was their preoccupation with this stability and their mentioning of intervention that this was interpreted as they were in fact just waiting for an occasion to intervene. When Abe mentioned, as an oral addendum to an otherwise innocuous written note to the Chinese Foreign Office, his “hope that China could maintain order” so as to avoid foreign intervention, this sounded like, and was probably meant as, an intimidation of China. (Ministère des Affaires Étrangères, 1907-1908, N° 194, pp. 46-48).

In addition to this, the Chinese revolutionary movement opposed to the “constitutional reforms” of the Qing Court, whose most prominent leader was Sun Yat-sen (1866-1925), had close connections to Japan (cf. Fioroni Sandri, 1975), and Chinese revolutionaries used Japanese concessions in China as operational bases (Ministère des Affaires Étrangères - Pékin - Ambassade, 1901-1918: Carton 30, Dépêche N. 172 de 9 Mars 1907, Consulat de France à Tien-Tsin). Numerous Chinese students in Japan came back with radical revolutionary ideas, which, Chinese government circles suspected, were being instilled on them by the Japanese government (Cf. Ministère des Affaires Étrangères, 1907-1908: N° 194, p. 47b).

The tense relations between the two countries erupted when, in February of 1908, Chinese authorities apprehended a Japanese ship named Tatsu Maru (辰丸). She was carrying a freight of arms, which

the Chinese side alleged were being shipped for the anti-Qing revolutionaries in Southern China. The Japanese government claimed that the arms were being rightfully shipped with correct papers to an arms dealer in Portuguese-administered Macao (澳門), and refused to apologise. The incident caused a serious diplomatic conflict between the two countries, which Japan won on the pyrrhic cost of a boycott against her goods and losing sympathies in Southern China.

Under these circumstances, justified or not, fear of Japanese meddling was strong within the Chinese political leadership, which tended to be less enthusiastic about Japan than intellectuals. The Chinese government and quite a few foreigners saw the hand of Japan behind many of the troubles in China and the Japanese government to be at least passively supporting anti-government forces or even trying to actively undermine the Imperial Chinese government. (Ministère des Affaires Étrangères, 1907-1908: 46-48; 1908-1909: 1, 63)

On the other side, the Japanese government was not completely united, as can be seen in the efforts of Itô Hirobumi, the man who had been the driving force behind the Japanese constitution of 1889 and was acting as Resident-General of Japan to Korea in the years from 1905 to 1909. As far as Itô's engagement with China is concerned, he is remembered for his involvement up to the visit of the Chinese constitutional commissioners to Japan in 1905/06. Japanese research, too, has placed little importance on Itô's post-1905 views on China. Takii Kazuhiro (瀧井一博), in one of the newest available studies of Itô, entitles a whole section "hands off political changes in China" (Takii, 2014: 178-180). Takii asks: "Did Itô have any plans to try to bring political stability to the East Asian region through guidance in constitutionalism, thus spreading the fruits of the Meiji constitutional system to China and Korea?" Based on Japanese documents, he answers that "Itô Hirobumi appeared determined to steer clear of involvement in

any moves by China to embrace constitutional government”, implying that he was “not interested” in political reforms in China (*ibid.*: 179-180).

Fresh finds from diplomatic archives in Europe, however, correct this present state of research. Itô, who had a very strong Chinese education, maintained a life-long interest in China that also included the constitutional reforms beginning in 1905/06. He followed very closely every step of the constitutional reforms in China and not only expressed his views on them in a multitude of occasions. Moreover, he actively tried to influence them. He did indeed hope that China would pursue reforms, but was deeply skeptical about the concrete constitutional process in China, on which he hoped to exert a positive influence. He was not only a “constitutional evangelist” in Japan (*ibid.*: 75-100), but tried to be one for China, too, albeit without much success. In the case of China, however, his evangelism was of another kind than in Japan and in Korea, for he advocated much slower political changes. And although many in Japan tended towards views of “Asia to the Asians” in the style of an Asian Monroe Doctrine, he actually was in constant contact with Western diplomats on the matter of China and sought to coordinate policies with them.

Both when he was on leave in Japan and when he was at his post in Korea, Itô exchanged views on the situation of the Chinese constitutional reforms with Western diplomats, particularly those from France and the United Kingdom. Already in 1898, Itô had been understood as having said that reform was not possible in China without a revolution, and later denied having said this (Ruxton, 2007b: 122, 144, 151) Likewise, in 1907, to the French Ambassador to Japan, Auguste Gérard (1852-1922), Itô compared China to the Japan of the *Bakumatsu* (幕末) period before the Meiji Restoration in 1868. He found similarities that would render a revolution necessary, be it with or

without the consent of the government. But Itô maintained that China was not yet prepared for such an “ineluctable” revolution and not ready to unite for the organisation of a new regime. (Ministère des Affaires Étrangères, 1907-1908: 56-58)

In autumn of 1907, the *Seoul Press*, an English-language newspaper published by the Residency-General of Japan to Korea serving as its mouthpiece to the outside world, published a series of articles. At first, the paper likened the situation in China to the Japanese situation of the early Meiji years, with the aggravating circumstance of racial antipathy between Manchu and Han (漢) (“Politics at Peking”, *Seoul Press*, Friday, 27th September 1907). But three weeks later, the newspaper commented that it would be more accurate to liken China to *Bakumatsu* Japan, and that the Qing Court’s prospects were most probably not better than those of the Tokugawa clan (徳川氏), for the opposition of the nobility had proven fatal to all reform schemes (“An historical parallel”, *Seoul Press*, Thursday, 17th October 1907). Although the *Seoul Press* showed confidence that Empress Dowager Cixi was doing her best, as a whole, it believed that the Chinese government was “talking reforms but actually doing very little to honestly carry them out” (“The prospect of Chinese reform”, *Seoul Press*, Saturday, October 26th, 1907).

It cannot be ascertained to what extent the *Seoul Press* accurately reflected Itô’s positions, although they were in fact attributed to him at the time (Ministère des Affaires Étrangères, 1907-1908, p. 58b). In any case, it is clear from all of his statements that Itô was skeptical of China’s ability to implement constitutional or administrative reforms. His words could be interpreted to concur with the stance – very common within the country – that little substantial was being done by the central government. However, Itô did not share the impatience of Chinese revolutionaries and many foreign observers. In fact, Itô was not trying to say China should rush the implementation of constitutionalism, much to

the opposite.

Itô held that China, being a huge heterogeneous country, did not yet have the fundamentals for installing a constitutional government. Ultimately, he was interested in introducing constitutionalism in China. However, he advocated that the country should slowly promote reforms that made such a constitutional government possible – and by “slow” he meant generations, not mere years (British Foreign Office, 1908: 98). Thus, in his eyes, the reform attempts undertaken by the central government at that time were “dangerous and of a revolutionary nature” (*ibid.*: 63a), implying that the Chinese government was undertaking the wrong measures and leaping forward too quickly.

When, on the other hand, Itô talked to Gérard about the “hesitations and tergiversations” of the Chinese government (Ministère des Affaires Étrangères, 1907-1908, pp. 56-58), this is probably less contradictory than it would seem. Some of the value judgments in Gérard’s report might have been influenced by his own views on the issue and by the fact that he was writing at the same time about Itô and about the Japanese Foreign Minister, Hayashi Tadasu (林董, 1850-1913). When Itô complained about the government hesitating and tergiversating, he was probably referring to the large conservative-minded sectors of administration and government as being one of the many hindrances to the reforms. Itô seemed to be convinced that Cixi wanted to realise reforms, but that her government was moving forward cluelessly, promoting reforms in the wrong sense and being hampered by numerous obstacles that needed to be carefully removed first. Or as the *Seoul Press* put it: “there seemed to be now in Peking the same half-blind groping after what is proper and wise which was noticed in Tokyo thirty-five years ago” (“An historical parallel”, *Seoul Press*, Thursday, October 17th, 1907). In spite of his apprehension about an imminent revolutionary upheaval in China, and although he held the Qing Dynasty

as such in a rather low regard, Itô was interested in supporting the Dynasty.

In the course of the year 1907, seeing the numerous difficulties of constitutional reforms, Itô and the former Prime Minister Katsura Tarô (桂太郎, 1848-1913), who had been succeeded by Saionji Kinmochi in January of 1906, came up with an idea: Itô would travel to China to act directly as an advisor to Cixi, as he had already tried to do in 1898. But this time, he thought his chances of influencing her were higher, because at that time, she had come to see the necessity of reform in China. In his opinion, only a single interview with her or formal talks would not suffice, so that he would stay at least one or even two months in the Chinese capital. (British Foreign Office, 1908: 63-64)

Itô was convinced that such an enterprise required some international consensus, and under the framework of the Anglo-Japanese alliance of 1902/05 (cf. MacMurray, 1921: 324-326 and 516-519), talked about this trip to the British Consul-General to Seoul, Henry Cockburn (1859-1927) (British Foreign Office, 1908: 63-64). He assured the British diplomat that he would do nothing without the concurrence and approval of the British Government. Later, Itô also talked about his plans to the British Ambassador to Tokyo, Sir Claude MacDonald (1852-1915), who reported the matter to London.

Itô's plan somewhat bypassed the official Japanese foreign policy. Both Cockburn and Sir MacDonald assumed that the Japanese government found itself in an impasse as to how to come to terms with China without using coercion, and counted on Itô's influence to bring her to a better frame of mind (British Foreign Office, 1908: 63-64). Moreover, the French Ambassador did not sense disunity between Itô and the acting Japanese government (Ministère des Affaires Étrangères, 1907-1908, pp. 56-58). Nonetheless, Itô's position was indeed distinct from the Saionji government. Sir MacDonald's report is precise in

unequivocally stating that the idea of going to China had come from Katsura Tarô, who was out of office at that time. And both Itô and Katsura showed dissatisfaction with the foreign policy of the Saionji government. Katsura tried to adopt a more conciliatory policy towards China when he returned to office in 1908 (Ministère des Affaires Étrangères, 1908-1909, pp. 104-106). And Itô, too, intervened several times with the Japanese government to correct some of its policies in Manchuria (British Foreign Office, 1908: 64).

Furthermore, there is, as yet, no evidence that Itô had informed the Chinese side about his intentions to offer his advice to Cixi. In apparently unofficial ways, the rumour of Itô's coming spread to the Chinese Foreign Ministry, whose officers thought it to be unfounded ("there was nothing at present to bring the Prince to Peking") and asked the British legation for confirmation (*ibid.*: 112). It would thus seem that his planned visit was a completely one-sided affair.

In any case, Itô's position in Japan was so special that it did not matter whether he was in office or not – his influence "was the same" (British Foreign Office, 1909: 212b). Thus, the proposal was taken seriously by the British and was widely discussed within the British government. But even though the British held a rather high opinion of Itô Hirobumi – he was "perhaps the one Japanese it is more or less safe to trust" (British Foreign Office, 1908: 61a) – this proposal was received very coldly in the Foreign Office. The opinion was that Itô's suggestion would be without effect. The Chinese government needed no advice on how to quell insurgents. And even though the country was making some slow progress in modernisation, this progress was not influenced by the government: "... reforms at present are a matter of ebb and flow: those announced one day are cancelled the next. China is advancing it is true, but this is not the result of action by the Govt." (*ibid.*: 60-62)

Both sides agreed that the most imminent danger for China were troubles expected to happen when the Empress Dowager were to die (cf. *ibid.*: 60-62). Itô expressed the opinion that the Qing Dynasty must be upheld at all costs, not because it was a good one, but because there was no other (*ibid.*: 80). In the British Foreign Office, although there were some sympathies for upholding the Dynasty, Foreign Secretary Edward Grey could not even agree “that we can co-operate in upholding the Manchu Dynasty”, for he was not sure about what “upholding” meant (*ibid.*: 79). Some of the comments in the discussion even went further, interpreting Grey to be against cooperation because “they [the Qing – *note of the author*] might be committed to repressing a reform movement in China” (*ibid.*: 103). In any case, one could not prepare for eventualities if one did not know yet what course they would take. Finally, even if the British did not doubt Itô’s good intentions, such a trip would not prove effective, for there was serious doubt in China about Japan, and the Court was not at that moment willing to accept advice from foreign powers, and the least from Japan. The British Foreign Office, instead, opted for a policy of non-interference, while at the same time quietly backing the powerful Yuan Shikai (袁世凱), one of the leading figures of the reforms (British Foreign Office, 1908: [7873], pp. 84-87).

Thus, the preparations for the trip stalled. To the British Foreign Office, Itô’s proposal was much too vague. The Foreign Office asked Itô to explain what exactly he wanted to suggest to Cixi. Itô promised to come back with more detailed explanations, but the Tatsu Maru incident came in between. The Sino-Japanese relations now being publicly and severely strained, the trip was postponed sine die. (British Foreign Office, 1908: 60-62, 98, 104).

But Itô did not give up his intentions of influencing the Chinese government. The conditions on the Japanese side became better when, in

July 1908, the more Qing-friendly Katsura Tarô returned to his old post of Prime Minister, replacing Saionji Kinmochi (*ibid.*: 115-119). Katsura disapproved of Foreign Minister Hayashi Tadasu's stance towards China and also replaced Minister Hayashi Gonsuke's with Ijûin Hikokichi (伊集院彦吉, 1864-1924) (Ministère des Affaires Étrangères, 1908-1909, N° 148, pp. 104-106).

Having been rebuked by the British, Itô, in late July or early August 1908, contacted the French Ambassador to Japan, Auguste Gérard, on the question of what to do in case of the death of the Empress Dowager (British Foreign Office, 1908: [No. 27339], pp. 115-119). But again to no avail. The eventuality happened just three months thereafter: On 14th and 15th November 1908, the Chinese Guangxu Emperor and Emperor Dowager Cixi died.

Still Itô did not cease his efforts. In April or May 1909, he apparently wrote a letter to the Chinese foreign ministry giving advice on the constitutional reforms. Unfortunately, the author has not yet been able to trace the original letters, but in numerous press reports of the time, it was rumoured that he advised China to rather directly study constitutionalism from Germany and Austria instead of via Japan. (中外日報 / *Zhongwai Ribao*, 5th May 1909, and 廈門日報 / *Xiamen Ribao*, 15th May 1909, in: Deutsche Gesandtschaft in China, 1906-1909: 220-221; "Chinese News. (Translated from the Chinese Press.)" *The North-China Herald*, 8th May 1909). This may have been related to his position that the sending of Chinese students to Japan was a great danger to China, for they came back to China full of revolutionary ideas (Foreign Office, 1908: [9079], p. 98).

On 28th August 1909, Itô gave a farewell dinner for the "constitutional examination commissioner" (考察憲政大臣 / *kaocha xianzheng dachen*) of the Chinese government to Japan, Li Jiaju (李家駒, 1871-1938), who had previously been Minister of China to Japan

(“專電 / *Zhuandian*”, 申報 / *Shenbao*, 31st August 1909). The dinner was attended by the same high-ranking members of the cabinet who had reportedly attended the conference of July 31st: Prime Minister Katsura Tarô, Foreign Minister Komura Jutarô (小村壽太郎, 1855-1911) and Minister of War Terauchi Masatake (寺内正毅, 1851-1919), as well as the constitutional specialists Itô Miyoji (伊東巳代治, 1857-1934), Ariga Nagao, Hozumi Yatsuka (穂積八束, 1860-1912), and others (“憲政大臣送別會 / *Kensei taishin sôbetsukai*”, 朝日新聞 / *Asahi Shimbun*, 29th August 1909). At the end of the party, Itô delivered a long speech wherein he told Li what he thought China had to do in order to implement constitutionalism in China, including the form of the constitution and his hopes for how China should proceed with enacting the constitution. Li would then become one of the men entrusted with writing the definitive constitution of China, beginning from 1911.

All in all, Katsura and Itô continued to maintain the same positions Itô had expressed two years before to Henry Cockburn, but probably becoming even more pessimistic about the prospects of success. Katsura told Sir Claude MacDonald that constitutions and assemblies were excellent things in their way, but that China still needed much time to assimilate and indeed understand these things (British Foreign Office, 1909: [22129], p. 226). At about the same time he allegedly wrote the letter to the Chinese Foreign Office, on 13th May 1909, Itô met with the British Ambassador to Tokyo, Sir Claude Macdonald, and discussed the situation of China with him (British Foreign Office, 1909, No. 121, pp. 213-214). He saw a tremendous weakness of the central government in Peking and the fact that it had given too much powers to the local assemblies, which would pull the Viceroys to their sides and against the central government.

In sum, Itô for the first time not only vaticinated a revolution, but foretold a very specific time limit, prophesying that “within three years

there would be a revolution in China” (British Foreign Office, 1909, No. 22128, p. 213a).

Itô not only discussed the matter with foreign diplomats, but also expressed his opinions openly in Japan, where he had returned to in June 1909. The importance that Itô Hirobumi conferred to the Chinese constitution-making process, but also the pessimism he harboured about it, can be seen from a lecture he gave on 20th August 1909 in Fukushima (福島) (recorded in Itô Hirokuni and Hiratsuka Atsushi (eds), 1982: 248-252). In this lecture, he gave an overview of his position on the constitution-making process in China and stressed that the outcome of the constitutional reforms in China would have a deep impact on peace in East Asia. His doubts about the ability of the Dynasty to maintain its rule and the underlying problems he deemed the country to have, independently of who ruled it, reflected themselves in the very words he used to denominate the country: at times, he used Qing Country (清國 / *Shinkoku*), at times the generic China (支那 / *Shina*) (on the various denominations for China in Japan, see Fogel, 2012).

In his speech, Itô stressed that the conditions of China made it difficult for the country to quickly become a constitutional monarchy. For instance, there was the very mundane problem of transportation: how could China have a representative system and convene parliaments if the delegates could not yet swiftly travel from their home areas to the parliament? Furthermore, China had very deep-rooted customs that were even more difficult to change than Japan’s, citing the tax system as an example. The third problem was that in theory, constitutional government started from local self-government. Japan had done this, establishing local assemblies in the year Meiji 11 (明治 11 年, i.e. 1878). But Japan had learned “civilised politics” from Europe for several years, and the Japanese people had a strong sense of service to the public order. Thus, being deeply skeptical that the Qing (*Shinkoku*) would be

able to repeat what Japan had done, Itô implied one argument that was very current in China herself and was used by the very Chinese government (cf. Gugong Bowuyuan Mingqing Dang'an Bu, 1979a: 43-44): that the Chinese population was not yet fitted with the necessary knowledge and culture for constitutionalism.

At that time, he was still planning to go to Peking, now scheduling his trip for 1910. As he confided to Itô Miyoji, he was still intending to help the country establish a constitutional government (Itô Miyoji, “*Shinkoku Kenpô to wagakuni*”, *Kokumin Shinbun*, 5th October 1910, Wednesday). But Itô Hirobumi was not able to further push China in the direction he hoped. Just a few days after, in October 1909, Itô traveled to Manchuria to meet the Russian Minister of Finance, Vladimir Kokovtsov (Владимир Коковцов, 1853-1943), and was slain in Harbin (哈爾濱) by the Korean An Chungŭn (안중근/安重根) (1879-1910).

Itô's prediction turned out to be prophetic. In October 1911, a military uprising took place in the city of Wuchang (武昌), leading to a domino effect of the Qing government rapidly losing control of large parts of Southern China. Japan's government proposed to intervene militarily to support the Qing government, but once again, the British government refused to intervene together with Japan (cf. Fairbank *et al.*, 1986: 92). After the southern provinces one after the other had declared their independence from the Peking government, the Republic of China was proclaimed on 1st January 1912. And in February 1912, just 2 years and 9 months after Itô had emitted the prognosis that the Chinese government would fall to a revolution within three years, the Xuantong Emperor (宣統皇帝) and Empress Dowager Longyu (隆裕太后) abdicated.

5. Conclusions

Constitutional thought in late imperial China emerged within a global trend towards constitutionalism. Chinese intellectuals developed their constitutional thought in a global context in which constitutionalism was very much in flux and constitutions were becoming an important element of modern statehood. As a result of this development, the legal instrument of constitutions has today become near-universal, while their function and content differ widely according to the local context.

The Qing government's attempt to transform China into a constitutional monarchy, in the years from 1905 to 1911, did matter to the outside world. The Qing Court's attempt to "prepare for constitutionalism" and to draft a constitution drew large attention from the outside, by Japanese as well as by Westerners, by journalists, diplomats and politicians alike. In general, but for some notable exceptions from anarchist and pacifist circles, foreigners did hope that China would undertake political reforms and move towards constitutionalism. However, there were considerable differences in the interpretation of the Chinese situation.

Inside the country, one of the most common points of critique was that the so-called "constitutional preparation" was insincere and a mere playing on time, or worse, that it was a cover-up for the central government to tighten oppression and dictatorship (cf., e.g., the pamphlet *Tiantao* (天討) by Zhang Binglin (章炳麟) (s.a.), in: Zhongguoshi Xuehui (ed.) (1957): 368 – "It is only the name, but not real constitutionalism"). This has stayed to be the standard analysis of the constitutionalist process for a long time, and is still to be seen in Chinese textbooks today (cf., e.g., Li, 1968: 208-209; Seitz, 2000: 106; Gao, 2012).

Outside of China too, the government's moves and the prospects that the reforms might succeed were often viewed with skepticism.

Some observers, particularly journalists, subscribed to the view that the Chinese government was not doing much and was stuck in old ways, being unable to reform itself. Many saw China hamstrung by a reactionary faction which was undermining all efforts of reform. Thus, one finds many exhortations that China be more decisive in its introduction of a constitutional system.

However, the view from the outside was much more nuanced than that. Pessimism with the reform efforts also could take a very different spin. For many observers, especially those in diplomatic or political functions, concluded that the Chinese government might actually instead have had too grandiose plans to fulfill in the stipulated short period of time, or even that it was acting carelessly. Contradicting the impatient voices of many Chinese, for them, the government was trying to put something in practice for which the conditions were not yet given. Owing to this interpretation, both the British Sir Edward Satow and the Japanese Itô Hirobumi warned that the central government's giving away powers to local notables would lead to its losing control over the country, effectively predicting the Xinhai Revolution.

On a political and practical level, constitutional reforms in China and the eventual implementation of a constitution were important for foreign powers, but not in an immediate sense. That features of a modern nation-state would benefit China on the international stage, not only politically, but also economically, is exemplified in the comments by the representatives of HSBC who negotiated financial agreements with the Chinese government.

But most foreign diplomats and politicians agreed that a representative constitution was not immediately feasible. Thus, they did not take an approach of pressuring China to implement a constitution, for especially Western diplomats believed such an approach would be counter-productive. Still, they hoped to exert some passive influence on

China, and tried to influence Chinese notables, such as Sir Edward Satow, who counselled the mighty Viceroy Zhou Fu on how to proceed with reforms.

Japan's policy towards China was even more complex. Even if Sino-Japanese relations under the Saionji government were rather strained, sectors of the Japanese government were working for upholding the Chinese monarchy. To this effect, Itô Hirobumi and Katsura Tarô effected a kind of parallel foreign policy by taking direct diplomatic initiative to support the ruling Dynasty of China. Believing that China should, by way of slow reforms, eventually transform herself into a constitutional monarchy, they even tried to activate the machinery of international diplomacy. However, owing to resistance from Western powers as well as to the unstable situation of China, they did not manage to influence China in the way they hoped to.

Foreign observers expressed a wide range of opinions about the Chinese variant of constitutionalism. Some of these views show a surprising perceptiveness for the social and economic conditions of China, and provide novel perspectives on the emergence of constitutional thought in China, as well as on modern Chinese political history.

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**Rethinking Peace-Building in East Asia:
The Case of Japan's Struggle over History in
Postwar Era⁺**

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Abstract

What is the relationship between the museum and the state? More precisely, in what way does the publicly sponsored museum reflect efforts by the state to expand its power at large? And how do its efforts contribute to the transformation of a nation's identity? These questions have recently begun to be raised not only in the Western context, but also among Asian countries. In Japan, as in most countries, the museum is not just a neutral public space where visitors come to view paintings, sculptures, or valuable cultural and historical heritages. As with other aspects of Japanese cultural life, the museum has become highly politicized in recent years. Both in their conceptual foundations and contents, Japanese museums established in the postwar era reflect very specific political ends. This paper focuses on one peace museum, which is an important tool for peace-building, Peace Osaka, established in Japan's second largest city, to examine how Japan's national identity has transformed politically and socially in the postwar era. By comparing

different memories of war created in different periods in this public museum, we understand how a nation attempts to reconstruct its national identity through the process of selecting historical facts to exhibit in the museum. Furthermore, through the examination of historical controversy in East Asia, we will understand how a nation deals with its conflicting national narratives in the global era.

Keywords: *history education, peace-building, reconciliation, peace museums*

1. Introduction

What is the relationship between the museum and the state? More precisely, in what way does the publicly sponsored museum reflect efforts by the state to expand its power at large? And how do its efforts contribute to the transformation of a nation's identity? These questions have recently begun to be raised not only in the Western context, but also among Asian countries. In Japan, as in most countries, the museum is not just a neutral public space where visitors come to view paintings, sculptures, or valuable cultural and historical heritages. As with other aspects of Japanese cultural life, the museum has become highly politicized in recent years. Both in their conceptual foundations and contents, Japanese museums established in the postwar era reflect very specific political ends.

This is especially true of peace museums established throughout the country after Japan's surrender. Japan's attempt to use the museum as a symbolic tool to enhance its power and authority points to a new image of Japanese identity – pacifism (平和主義 / *heiwa shugi*), that has been the dominant conceptual prism through which Western countries have been viewed. The growth of peace museum, a symbol of Japanese

pacifism, not only reflects a form of social control, but also implies a historical transformation of the social and cultural environment, and political strategy in postwar Japanese society.

In the past several decades, particularly after the textbook crisis erupted in the 1980s, there has been a proliferation of museums in Japan to commemorate Japanese suffering during the Asia-Pacific War (1931-1945). Those in Hiroshima (広島) and Nagasaki (長崎) have occupied significant places in Japan's national memory and formed the core of the national identity in the postwar era. The high profile of peace museums in these two cities have dominated both Japanese and English literature about Japan's war memory, with the scholarship emphasizing Japan's recognition of its space as a victim of atomic bombings.¹ However, other less well-known public museums in Japan have produced different perspectives on how Japan views its wartime history and how Japan suffered to confront the difficult process of coming to terms with its war memories in the postwar era.

This paper focuses on one peace museum, Peace Osaka (ピースおおさか or Osaka International Peace Center / 大阪国際平和センター), established in Japan's second largest city, to examine how Japan's national identity has transformed in the postwar era. By comparing different memories of war created in different periods in this public museum, we can see how a nation attempts to reconstruct its national identity through the process of deciding which historical facts to exhibit in the museum. Furthermore, through the paradigmatic lens of peace museum, we understand how Japan has transformed politically and socially by creating public spaces to remember the war in these ever-changing times.

2. Pre-1980s War Memory in Japan

For many years following Japan's surrender, the Japanese people were forced to reckon with the psychological and political consequences of their defeat. The enormous economic loss and human casualties caused by the war fundamentally changed the people's understanding of war and peace. Japanese leaders have repeatedly conveyed to their once subjugated neighbors their sincere remorse and intention to never use military force to settle international conflicts. After defeat in 1945, Japan scripted a new "pacifist" national narrative with the pacifist constitution it promulgated in 1947 as a core symbol of its renunciation of wartime militarism and commitment to promoting world peace. This postwar "pacifist" movement also demonstrates Japan's firm conviction to never again have to relive the horrific experience of war. With this "pacifism", Japan gained acceptance in the international community over its period of high economic growth in the 1960s-1970s.

An alternative side of Japanese "pacifism", or "one-country pacifism" (一國平和主義 / *ikkoku heiwa shugi*) as historian Yui Daizaburō (油井大 三郎) frames it, left Japanese ignorant of their country's wartime responsibility.² A 1967 government survey showed that merely 17 percent of Japanese respondents recognized that Japan did "bad things" during the war. By 1972, this figure had risen to 26 percent. But at the same time more than 46 percent of respondents held the opinion that "Japan had no choice but to fight".³ Another government survey conducted in 1975 showed that over 70 percent of Japanese remembered the war for its "shortage of food and materials" and "atomic bombs". Only 9 percent of Japanese respondents viewed the war as a "war of aggression" and admitted the fact that Japan's aggression caused distress among Asian countries.⁴ As indicated in these public surveys, Japanese wartime memory centered on "hardship and suffering", as

symbolized by the Hiroshima and Nagasaki atomic bombs. Victim consciousness (被害者意識 / *higaisha ishiki*) has become deeply engrained in postwar Japanese society.

International criticism of Japanese textbooks in 1982 broke Japan's international isolation. Japan's major newspapers, such as *Asahi Shimbun* (朝日新聞), repeatedly reported on the foreign criticism directed toward the nationalist textbooks. Additionally, official visits by prime ministers to Yasukuni Shrine (靖國神社), starting with the official visit of Prime Minister Nakasone Yasuhiro (中曾根康弘) in 1985, stirred vehement criticism both at home and overseas. Textbooks and Shrine visitations inflamed the history dispute and disrupted relations between Japan and its neighbors, particularly China and South Korea.

Soon after Japan searched for alternative ways to reconcile with its neighbors. Criticism encouraged Japanese leaders to soften their stance. Aware of the controversy he caused, Nakasone stated publicly that the provocation would not be repeated in the future, because "Japan should respect the feelings of Asian countries" to rid international isolation which would subsequently threaten Japan's national interests and international reputation.⁵ Shortly after his visit to Yasukuni, Nakasone became the first prime minister to admit before the Diet (Japan's bicameral legislature, 国会 / *Kokkai*) that Japanese wartime behaviors in Asia was "wrong" and "it was indeed an invasion", although he insisted that the war with the United States "was completely different".⁶

The stance taken by Japanese leaders changed as a result of media criticism and foreign pressure, particularly after the 1989 death of Emperor Hirohito (裕仁 / 昭和天皇). From this time Japanese began discussing war issues far more frankly than before. This included wide media coverage of Asian grievances, including the Nanking (Nanjing) Massacre (南京大屠殺), Chinese and Korean slave labor, "comfort

women,” and the grisly human experiments of Unit 731. Such self-criticism appeared in the 1991 Peace Announcements of Hiroshima and Nagasaki, which explicitly acknowledged Japan’s responsibility for the past wrongs. Also at this time Tokyo courts confronted a number of lawsuits that demanded apology and compensation on behalf of those subjected to the above injustices. Under these circumstances, public institutions emerged in Japan that commemorated the war from the perspective of its victims, but also from that of Japanese self-criticism.

3. Japan’s New Identity in the Early 1990s

Peace museums in Japan serve as a center for public education on peace, aiming to educate citizens on the horrific war and how to contribute to world peace. Japanese peace museums surfaced between the late 1980s and the mid-1990s to commemorate the victims of U.S. aerial and atomic bombings. These included the Osaka International Peace Center, known as Peace Osaka (1991), Kawasaki Peace Museum (川崎市平和館, 1992), and Saitama Peace Museum (埼玉県平和資料館, 1993). Peace museums, however, faced problems in deciding the best way to display war history: they often neglect Japan’s wartime conduct.

Peace Osaka, located in Osaka Castle Park (大阪城公園), was co-founded by Osaka prefecture and municipal governments on September 17, 1991, the United Nation’s International Day of Peace, as “a symbol of a peaceful city”. It initially strove to inform people on wartime destruction and the importance of peace-building. The museum’s approach to realizing this goal, at least initially, can best be described as comprehensive. The three-story museum, with an exhibition space of 9,537 square feet, was divided into three exhibition halls: Exhibition Hall A, “U.S. Air Raids on Osaka and Civilian Life in Wartime”; Exhibition Hall B, the “Fifteen-Year War”; and Exhibition Hall C,

“Voice for Peace”. At the entrance of Exhibition Hall A, we find the following introduction:

The Japanese people were responsible for having caused great hardships to the people of the fifteen-year war ... Through a dispassionate and unpretentious reflection of this fifteen-year war, each of us must constantly strive to exert our efforts toward the attainment of lasting global peace.⁷

From the museum entrance exhibits acknowledged both Japan’s war responsibility and Japanese wartime suffering. Exhibition Hall B clarified this purpose and perspective by clearly demonstrating how Japan struggled over war memories and sought to find a new identity in a wider world in the early 1990s. The exhibition’s five sections detailed Japan’s invasion of China, Korea, Southeast Asia, and the Pacific region. It then turned to the end of the war, as symbolized by the atomic bombing of Hiroshima and Nagasaki. The entire exhibit paid particular attention to Japan’s wartime behaviors in China and other Asian countries by displaying pictures with detailed descriptions that illustrated Japan’s wartime crimes and atrocities, including the Nanking Massacre, Unit 731’s human experiments, slave labor, and the bombing of Chinese cities. By demonstrating Japan’s wartime crimes, Peace Osaka condemned Japan’s militarism and appealed to postwar Japanese society to reflect on this history and reconcile with their neighbors.

Peace Osaka’s efforts to publicize Japan’s dark past, rather than strip Japanese of confidence and national dignity, demonstrated the country’s sincere intention to overcome its militaristic past to forge a new place in the international community, to contribute to “a lasting peaceful world”. Its intention to “educate the younger generations to understand the disaster of the war and the significance of peace in order to enable this

museum to be an international center to transmit peace message and contribute to world peace” was evident in its construction plan.⁸ The narrative accompanying the Nanking Massacre display instructed that Chinese “bodies were disposed of by burning, or by throwing them into the Yangtze River.”⁹ The exhibition illustrated the calamities and grievous losses of Chinese and other Asian peoples by exhibiting historical documents and pictures rather than by concealing the dark history of Japanese militarism. Publicizing, criticizing, and acknowledging responsibility for this history demonstrated Japan’s sincere commitment to making a clean break from its wartime legacy.

Rather than assert a national myth and present an irredentist narrative as the core component of nationhood, Peace Osaka focused on a more globalized narrative and Japan’s identity in the international community. The exhibition created a unique consensus among Japanese peace museums in its condemnation of Japan’s militaristic past and excluded reference to alleged past glories, or a feeling of the nation victimized. It was also the first public institution to demonstrate the entire process of Japan’s aggressive war throughout Asia. As the museum’s mission acknowledged, Peace Osaka was a place to “commemorate those who died not only in Japan, but also in Asian countries victimized by Japan’s aggression and colonialism.”¹⁰

Without question Peace Osaka has served as a pioneer public institution in Japan in its intention to educate younger generations on how to view the past from the victim’s perspective, as well as to teach how to respect peoples of the world, as illustrated in the exhibits depicting Chinese and Korean sufferings. In addition, Peace Osaka provided clear evidence of Japan’s efforts to embrace moral responsibility for its aggression and past wrong doings. More importantly, the self-criticism found in Peace Osaka indicates that Japan attempted to choose a strategy leading toward moral recovery of its

national dignity in the globalized world.

Certainly such a comprehensive public museum could not be constructed overnight. Efforts to create the museum began in the early 1980s when several interest groups, including labor union representatives, World War II veterans, liberal journalists and scholars, and women's rights activists initiated a campaign to advance the project. Their movement won support from then governor Kishi Sakae (岸昌), who founded the Osaka Conference on Examining World Peace (世界平和を考える大阪会議 / *Sekai heiwa o kangaeru Ōsaka*) in 1985. During the election year of 1987, the governor along with the mayor of Osaka, Oshima Yasushi (大島靖), issued as a campaign promise the establishment of a peace museum that would support peace research, which they did after being returned to office.¹¹ Their efforts led to the construction of Osaka International Peace Center in 1989.

Osaka has the largest Korean community, and the second largest non-Japanese population in Japan. Approximately 70 percent of foreigners carry Korean ethnicity and another 20 percent have Chinese and Taiwanese origins, thus peoples victimized by Japanese aggression. This demographic structure inspired the museum preparatory committee to examine the effects of Japanese colonial rule and aggression from the perspective of these ethnic groups, but also from that of victims of Japanese brutal Asian rule. The Peace Osaka preparatory committee had experience dealing with issues regarding dealing with different historical perceptions. In 1985 the prefectural government had established a similar museum, Liberty Osaka (大阪人権博物館 / *Ōsaka jinken hakubutsukan*), that centered on the promotion of human rights of ethnic groups and minorities. This unique structure of ethnic population ratio and support from the local politicians and liberal forces allowed Peace Osaka to make an unprecedented portrayal of Japanese colonial rule and aggression in Asia. The fiftieth anniversary of the war's end, however,

initiated a controversy over the proper way for Japan to establish its “national dignity” that radically “normalized” Peace Osaka’s message.

4. Museum Wars of the Late 1990s

As Peace Osaka demonstrated, after governmental procrastination and an intense effort as well as international criticism, Japan began to make attempts to grapple with the issue of wartime responsibility. In 1993, the Japan New Party broke the Liberal Democratic Party (LDP)’s long hegemony over Japanese politics. Its leader, Prime Minister Hosokawa Morihiro (細川護熙), acknowledged Japan’s war as “an aggressive war”.¹² His statement, however, received fierce opposition. In 1994, LDP members of the Diet insisted that Japan’s war was for “justice” and firmly opposed any attempt to apologize for the country’s behavior. These legislators were represented by the Congressmen’s Council of the Fiftieth Anniversary of the End of the War (*Shusen Gojushunen Giin Renmei*) and the Committee for History Investigation (*Rekishi Kento Inukai*) which advanced the publication of *Daitōa sensō no sōkatsu* [an affirmative summation of the Greater East Asia War] released on the auspicious date of August 15, 1995.¹³

Outside the Diet opposing forces gathered from a number of nationalist groups, including Japan’s War Bereaved Families Association (日本遺族会 / *Nippon izokukai*) and the National Council for Defending Japan (*Nippon o mamoru kokumin kaigi*) that praised the glory of the Greater East Asia War. In addition, a group of nationalist academics represented by Fujioka Nobukatsu (藤岡信勝)’s Reform of Modern History (*Kindaishi no jugyo kaikaku*) and Nishio Kanji (西尾幹二)’s Association for Writing New History Textbooks (*Atarashi rekishi kyokasho o tsukurukai*) initiated a campaign to reform history education.

History, as an encounter with truth telling, has strong political meaning when facts are carefully selected, emphasized, or forgotten. Museums, like school textbooks, are important vehicles through which contemporary societies transmit ideas of citizenship and the idealized past and the promised future of the society. They provide authoritative narratives of the nation, delimit proper behavior of citizens, and sketch the parameters of the national imagination. Given their “authentic” character, museums are particularly important storages of memory, public spaces for storytelling, and symbolic architectures of nationhood. Narratives of nationhood, like textbooks themselves, are always unfinished projects, requiring revision and reinterpretation to remain relevant in ever-changing times. Certainly, museums, as one of the most important public facilities for social education about the past, must tell the truth. However, decisions over which historical facts should be selected or forgotten are dependent on different historical understandings and perceptions as well as different political strategies.

To commemorate the fiftieth anniversary of the end of the war, in 1995, both the central and local governments across Japan drafted museum projects to commemorate war victims. In the late 1970s, Izokukai, one of the largest and strongest interest groups in postwar Japanese society, exerted relentless pressure on the government to carve a national space for those who sacrificed their lives for the nation. In 1992, the Ministry of Welfare revealed plans to construct a national museum, the Memorial Peace Museum for War Victims (*Senbotsusha tsuido heiwa kinenkan*), that chronicled the events of World War II. However, disputes erupted over which historical facts to select and which to reject. Under strong Izokukai pressure, in January 1995 the Ministry of Welfare rewrote its original plans and proposed a war memorial accompanied by a bland exhibition of Japanese wartime experiences. A government spokesman lamented at this time: “It is

difficult to interpret history in a popular way.”¹⁴ The new project, unveiled on March 27, 1999, materialized as Japan’s first national museum to commemorate wartime experiences, the Shōwakan (昭和館) located just across the street from Yasukuni. By demonstrating wartime suffering of Japanese, particularly women and children, Shōwakan presents wartime victimization as experienced equally by Japanese and peoples from other countries.

This form of collective amnesia is not confined to the national museum, but also found in the Tokyo Metropolitan government plans for the Tokyo Peace Memorial (*Tokyo to heiwa kinenkan*). Like Peace Osaka, it attempted to commemorate the victims of the 1945 U.S. aerial bombings of Tokyo. To present an objective narrative of the entire war process, the preparatory committee first envisioned a comprehensive exhibition that detailed Japan’s wartime behavior. Opposing nationalist organizations represented by Fujioka Nobukatsu’s Committee on Examining Tokyo Peace (*Tokyo no heiwa o kangaeru kai*), backed by the conservative media organized a vicious protest campaign. Fujioka criticized the preparatory committee over its “ignorance” of the war, indicating that “the biggest World War II war crime was the U.S. bombing of Hiroshima, Nagasaki, and Tokyo”.¹⁵ Fujioka proclaimed that “people who have no history of pride do not constitute a nation”, and insisted that the best way to strengthen “Japan’s dignity” was to create a “national myth” to show “Japanese pride” and efforts to contribute to world peace.¹⁶ Finally, in August 1999, Tokyo metropolitan government succumbed to relentless nationalist pressure and cancelled the project due to “financial difficulty”. Cancellation apparently signaled that museums seeking to confront not only the nature of war but also the more complicated questions of responsibility must locate away from Japan’s political capital.

Since 1995, conservative forces targeted Peace Osaka. From October 1995, LDP Diet leaders began investigating existing public museums. Their declaration that “the government should not encourage public institutions to disseminate a specific ideology” represented a direct fronted assault on Peace Osaka.¹⁷ This statement gave nationalists and the conservative media the green light to attack the Osaka museum. A commentary in the conservative newspaper, *Sankei Shimbun*, denounced the museum for using “false and horrible pictures” to “self-abuse” (自虐 / *jigyaku*) the Japanese people.¹⁸ Members of Fujioka Nobukatsu’s Association for the Advancement of a Liberal View of History (*Jiyushugi shikan kenkyukai*) joined the affront. Of all the pictures in the exhibits, the Nanking Massacre exhibits were the most intractable. “It is absolutely ‘self-flagellation’,” Fujioka criticized, “The exhibit of the Nanjing [Massacre] was a complete fabrication” and all claims of Japanese atrocities were “wartime propaganda ... just a rumor.”¹⁹ Thus removal of all the “self-abusive” exhibits was the best way to “promote a sense of national pride” among the younger generations.²⁰

Museums are repositories of the past and living embodiment of the nation’s collective memory and identity. Public museums in most societies present an “authentic” and unsuspecting story that presents narratives that shape citizen understanding of a nation’s history. People fight for museum exhibits because public education is so obviously about the past, present, and future, reaches so deeply into society, and is directed by state politics. The recent proliferation of memorial services and museums in Japan suggests that, while memory has become more democratic, it has also become more burdensome.

To promote Japan’s “national pride”, nationalist groups began to pressure the government to order Peace Osaka to withdraw its “self-abusive” exhibits including the pictures of the Japanese army’s invasion

of Shanghai (上海) and the bombing of Chungking (重慶, Chongqing), Nationalist China's wartime capital. On March 1, 1997, these nationalist groups, supported by an ultra-nationalist organization, "The Association of Japan's Public Opinion" (*Nippon yoron no kai*), formed "The Citizens' Committee on Amending War Exhibits" (*Senso shiryō no henkou tenji o tadasu kai*), petitioned the government to terminate all financial support for Peace Osaka and demanded that the museum immediately remove its Nanking Massacre exhibits and "reexamine all its wartime exhibits".²¹ These attacks forced Peace Osaka in July 1997 to withdraw several pictures that lacked identifiable sources. However, it left intact most of the self-critical exhibits. Subsequently, the nationalist forces shifted their strategy in tune with changes in the domestic and international environment.

5. Japan in Transition – A New Face, but Old Story

The turn of the century represented a significant transformation in the structure of Japanese politics. Touted as a "political reformer", Koizumi Jun'ichirō (小泉純一郎) came to power in 2001, promising to remake Japan into a state that possessed strong political influence and power commensurable with its position as the world's second largest economy. Moreover, he declared his support for constitutional revision that would allow Japan to maintain regular armed forces. In effect he favored abolishing the restraints of Article 9 of the pacifist constitution. Upon taking office on April 26, 2001, Prime Minister Koizumi, who at that time enjoyed the highest approval ratings of any prime minister in Japanese history, promised to visit Yasukuni Shrine, justifying his decision by the claim that "all war dead should be honored equally".²² His annual Yasukuni visits provoked strong rebukes from China and South Korea. As many Chinese scholars argue, Yasukuni in Chinese

collective memory is “an insult and humiliating place in the traumatic memory of the Chinese nation” as it reflects the entire history of Japan’s aggressive wars against China.²³

As the Yasukuni dispute intensified, memories of Japanese aggression regenerated anti-Japanese animosity throughout China. Repeated Chinese demands over the next several years for an apology eventually led to Japanese complaints of “apology fatigue”. This vicious circle contributed to a further escalation of ultra-nationalism in China and Japan. Sino-Japanese relations deteriorated dramatically over Koizumi’s Yasukuni visits.²⁴

Tension in East Asia stoked rising nationalism in Japan. Japanese politics has been in a state of drift unable to overcome two decades of economic stagnation and its inability to meet the challenges that transformed dramatically in the post-Cold war world. In 2008, a young nationalist lawyer, Hashimoto Tōru (橋下徹), assumed the Osaka prefectural governorship by promising to completely reform local politics. His party, the Osaka Restoration Association (大阪維新の会 / *Ōsaka ishin no kai*), successfully gained a majority in both the prefectural and municipal assemblies. This party later merged with the ultra-nationalist former governor of Tokyo, Ishihara Shintarō (石原慎太郎), to form the Japan Restoration Party (日本維新の会 / *Nippon ishin no kai*), currently the second largest political force behind the LDP in Japan. As co-leaders of this party Ishihara and Hashimoto denied the truth behind wartime atrocities such as the Nanking Massacre and the “comfort women”.²⁵ They set as their political agenda to restore Japan’s pride and trust in the global world. Hashimoto’s ambition to reform local politics gained success after the Osaka general election in 2011 elected him mayor of Osaka, thanks to strong support from his close ally, Matsui Ichirō (松井一郎), who succeeded Hashimoto as Osaka prefectural governor. The overwhelming triumph of Nippon Ishin

no Kai dramatically changed Japan's political landscape.

Political change put public institutions such as Peace Osaka, a public museum supported by the city and prefecture, at risk. Although the museum attracted 70,000 to 80,000 visitors annually, conservative politicians and nationalist groups repeatedly condemned it over its liberal stance on the war. In 2008, as governor Hashimoto Toru visited Peace Osaka and criticized it for being "negative", saying that "the exhibits could not give children dreams" and threatened that the prefectural government would terminate its funding.²⁶

The critical turning point came in 2011 when Hashimoto's Restoration Party assumed the majority in Osaka's prefectural and municipal assemblies. At this time Hashimoto vowed to settle the Peace Osaka issue. He first froze all funding over Peace Osaka's refusal to accept his directive, and then threatened to close the museum altogether. Subsequently, the Osaka prefectural government announced plans to renovate Peace Osaka into "a new public education center for children to learn about modern history".²⁷ In September 2014, Peace Osaka bowed to conservative pressure and closed its doors for refurbishment.

The renovated Peace Osaka opened its doors on April 30, 2015 after purging "negative" displays of Japan's past aggression and colonialism. In their place, the museum unveiled an expanded section on the U.S. air raids over Osaka that occurred between December 1944 and August 1945. The museum thus became the first comprehensive public institution to display these air raids. Peace Osaka's new mission reads as follows:

As we reach the 70th anniversary of the end of World War II, and with more than three-quarters of Japan's population being born after the war, the role of Osaka International Center (Peace Osaka) in passing down the memories of the hardships of war so that they will not be

forgotten, and conveying the importance of peace is becoming more and more important ... In addition, we have made it our goal to create exhibitions that will help the children who are responsible for the next generation to understand the hardship and the background of the war through grasping the reality of air raids in Osaka and the relationship between Osaka and the war, as well as to think about peace as an issue they can relate to themselves.²⁸

The new mission of renovated Peace Osaka was to use the air raids “to help the children who are responsible for the next generation to understand the hardship and the background of the war”. The entire exhibition carries the overall title of a time “when the world was embroiled in war”. The new message, rather than acknowledging Japan’s war responsibility, centered full attention on the sufferings and hardships endured by Japanese during the war and the condemnation of U.S. war crimes, symbolized by its “indiscriminate-bombing of Japanese citizens” to emphasize Japanese victimhood.

From the outside, Peace Osaka maintained its original structure. Inside, however, the museum themes were completely reorganized. The new exhibits are still divided into four zones: Zone A, “In 1945, Osaka Was Engulfed in Fire”; Zone B, “When the World Was Embroiled in War”; Zone C, “Life in Osaka during the War”; and Zone D, “Osaka Reduced to Ashes, with Many Casualties”. As these titles suggest, the refurbished museum emphasized “civilian damage from indiscriminate bombing” initiated by the U.S. military as a serious war crime. Particularly it uses the two words “indiscriminate attacks” on Japanese citizens to redirect focus away from the raids that Japan conducted on Asian cities. Moreover, it uses the words “cruel death” to describe the pitiful fate of Japanese soldiers and civilians, without informing on casualties caused by Japanese aggression. In shifting focus toward U.S.

war crimes against humanity, Peace Osaka released Japan from its wartime responsibilities.

Another major strategy shift in the renovated museum was its lack of explicit acknowledgment of Japanese wartime crimes and aggression. Instead, it shows exhibits that demonstrate Japan's war as "just". Rather than, as previously, reveal Japanese wartime crimes, the narratives of Japanese wartime atrocities were incorporated into a documentary that introduced the background and development of the Sino-Japanese War by the term "Nanjing Incident" (南京事變 / *Nankin jihen*), a time when "many residents were victimized by the Japanese army". More importantly, the narrative emphasizes Chinese nationalists' crimes against Japanese civilians, as exemplified by the 1937 Tungchow (Tongzhou) Incident (通州事件 / *Tsūshū jiken*), which triggered Japanese animosity and worsened the Sino-Japanese relations. By condemning these Chinese "terrorist" slaughters, the renovated exhibits instruct that Chinese provoked Japan into launching the war. Japan thus should not be held responsible for the war.

The biggest physical and ideological alterations are seen in Zone B, "When the World Was Embroiled in War". Formerly titled the "Fifteen-Year War", this Zone detailed Japan's wartime atrocities as symbolized by the Nanking Massacre, slave labor, Japan's colonial rule in Korea, and Japanese aggression in Southeast Asia. The renovated exhibit displayed a chronological chart dating Japan's decision to attack the United States from the Meiji-era (明治時代 / *Meiji-jidai*) wars with China and Russia before advancing to the Pacific War. The former "Fifteen-Year War" exhibit had also used these wars, but as background information to introduce the air raids. The renovated exhibit, to the contrary, focused entirely on the Japan-U.S. War (日米戦争 / *Nichi-Beisensō*), a result of Japan being forced to defend itself against the U.S. embargo on oil and gasoline exports to Japan from 1941. Japan should

not have to accept responsibility for a war that American pressure forced it into fighting.

Zone C, “The Lives of Children during the War”, occupies the same space that the former “The Daily Life of the People” exhibit occupied. The focus on children represents a change from that on ordinary people in the original exhibit. The room resembles a classroom which reflects Peace Osaka’s important mission, namely “exploiting the reality of the Osaka air raids to help children understand the hardships of the war”. The renovated museum focusing on the “feelings” of children targets directly the nationalist criticisms of conservatives such as renowned manga (漫画) artist Kobayashi Yoshinori (小林善範), who claimed that the pre-renovation “negative” and “self-abusive” exhibits were “brainwashing” children.²⁹ The newly renovated museum is thus friendly to younger generations, as it eliminates all violence and crimes save for the U.S. “indiscriminate air raids”. This conversion of Peace Osaka from adult-oriented exhibits to child-friendly exhibits is an important strategy shift in the museum. Using a child’s perspective on war (子供目線 / *kodomo no mesen*), the renovated museum eliminates any question of Japan’s wartime responsibility.

In sum, the newly refurbished Peace Osaka emphasizes Japanese sufferings and downplays Japan’s war responsibility. All exhibits highlight Japanese victimhood by showing U.S. air raids on Osaka. As the museum conclusion illustrates, all Japanese people were indeed victimized by the war. This sense of shared victimhood in universal terms serves as the foundation for a shared experience and identity of a unified Japan, nationhood built on memories of wartime hardship and suffering. In creating this imagined community, Japan ingeniously eludes its moral responsibility. Thus the museum’s political stance shows the public’s penchant to forget and the government’s fostering of a collective amnesia.

6. Japan Bewildering in the 21st Century

Globalization presents opportunity for revised political, economic and security alignments at both the regional and global levels. Narratives of a nation in museums and public institutions must change over time to accommodate both global shifts of power and domestic social transformation. To serve this mission, narrations reinterpret past actions, rendering former justifications obsolete while configuring a new national identity. Simultaneously, political strategy for history education shifts in accordance with changes in the domestic and international atmosphere. The dramatic change of the Peace Osaka exhibits instructs us on how Japan has transformed socially and politically in the globalized world.

It should be noted that the historical transformation of Peace Osaka is just one example of how Japan has redrawn war memory and how Japan has reshaped national identity in the postwar era. Japan experienced a long period of economic stagnation from the 1990s. Japanese politicians have struggled to rid the nation of the long-term recession to restore Japanese confidence and national pride in the international community. Japanese conservatives led by Prime Minister Abe Shinzō (安倍晋三), returning to power in 2012, publicly questioned the legitimacy of the Tokyo Tribunal and denied Japan's wartime crimes. Nationalism or "retro-nationalism" in Japan, as Japanese scholar Nakano Kōichi (中野晃一) points out, emerged with an upsurge of patriotic sentiments and nationalistic ideal.³⁰ Overwhelmingly supported by right-wing politicians, Prime Minister Abe has proposed a bill to allow the Japanese self-defense forces the right to participate in collective self-defense which if passed would in effect render null the constitution's peace statement, Article 9.

Japan has been bitterly battling its postwar memories since defeat. From the turn of the century, numerous peace museums have struggled

to develop their narratives in the face of rising nationalism, with some being forced to reorganize their self-critical exhibits. This tendency does not suggest that Japanese pacifism is at an end. Instead, it demonstrates that a new Japanese identity, a retro-nationalist narrative has emerged with strength. This narrative successfully indoctrinates Japanese people through a shared memory of victimhood that has gained wide support among Japanese. The war is past. War responsibility is over. As Prime Minister Abe reiterated in 2015 on the occasion of the 70th anniversary of the end of the war, “We must not let our children, grandchildren, and even further generations to come, who have nothing to do with that war, predestined to apologize.”³¹

In sum, the dramatic transformation of Peace Osaka from a progressive to a conservative museum is a significant victory for the recent battles over war memory and history education in Japan. The museum debates in Japan instruct the rest of us: the issues with which Japanese grapple – history, nationalism, identity, regional and global cooperation – are not unique: all nations struggle to confront them in the contemporary world. It reminds us that history is a significant task for all countries to confront, one of the most important fronts where these battles are fought. It is without question that how to teach younger generations to understand history is of critical importance in today’s world.

Notes

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Russia-Taiwan Relations: History and Perspectives

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Abstract

From the point of view of potential possibilities for the development of business, scientific and technical cooperation, Taiwan could be considered as a prospective partner for Russian businessmen in East Asia. It is defined by the island's high degree of import dependence upon main categories of raw material resources and by its leading role in producing a number of articles in the manufacturing industry. The article will briefly review the contemporary history of Russia's relations with Taiwan. It will also analyze the current status and presume the possibility for future prospects of bilateral economic and trade relations.

Keywords: Taiwan, Russia, history, economic and trade relations

1. Introduction

Taiwan is one of the most dynamic centers of financial and economic development in the Asia-Pacific region. It plays an important role in the economy of Pacific Asia as well as in the world.¹ As a stronghold of

manufacturing technology, Taiwan is currently the world's second largest information hardware-producing country that turns out a wide variety of semiconductor, optoelectronic, information and communication products.

The strategic significance of Taiwan is defined mostly by its advantageous position on the South China and East China Sea routes as well as its proximity to the Philippines. For decades the Kuomintang (KMT, 中國國民黨) government, which found refuge on the island after the establishment of the People's Republic of China (PRC, 中華人民共和國) in 1949, has been taken by the West as a bulwark against the spread of communism in Asia. Thus, the island has always had great political significance. Being equally distanced from Korea and Vietnam, countries that saw some hard fighting during the Cold War, Taiwan was the base for military operations against the PRC and pro-communist forces in Indonesia and Indochina.

2. Historical background

The major migration to Taiwan from the continent started in the 17th century. The Chinese officials paid little attention to the situation on the island, considering it to be one of the remote territories of the Celestial Empire (天朝 / *Tianchao*). The indifferent attitude started to change after the Sino-French war in 1884-1885, when the Qing (清, Ch'ing) Dynasty realized that the island could be used as the base for foreign intervention and influence on the continent. After the war Taiwan was given the status of independent province (before that the island was part of the 福建 / Fujian province). A hero of the Sino-French war, General Liu Ming-chuan (劉銘傳), was appointed the island's first governor.

Japan annexed Taiwan after the war with China according to the Treaty of Shimonoseki (下関条約 / *Shimonoseki Jōyaku*) in 1895 and

turned it into its colony. In 1896 Russia allowed a German native Paul Shabert to head the first Russian consulate in Taiwan.

Russian policy toward Taiwan can be traced back to the late seventeenth century, after Imperial Russia came into contact with China under Manchu rule. Perhaps for the first time Taiwan in the Russian documents was referred to in the statement made for the embassy sent to China, and based mainly on the Western sources, which intended to guide the envoy Nikolay Spafari sent to Peking (北京 / Beijing) in 1675 (Figure 1). The request was given to Spafari to describe China and neighboring lands, including Formosa.² Spafari to some extent fulfilled the task. In chapter 4 of his “Descriptions” of China, dedicated to the sea routes which were leading to the country, it contains the following information: “The Dutch also held nearby the island under the Formosa name, from where they come to borderland cities and secretly traded with the Chinese governors.”³

Although it was first mentioned in Russian sources in 1670, Taiwan did not attract Russian attention until the era of Japanese imperialism more than two centuries later. In May 1874, Japan launched an expedition to punish Taiwanese aborigines who had murdered a party of shipwrecked Ryukyans. Russia lodged a protest against Japan, and sent a gunboat to Taiwan in July of the same year, which provided some of the earliest firsthand accounts by Russians about Taiwan (Lukin, 2003: 251-252).

The officer of the Russian navy Ibis Pavel Ivanovich (1852-1877) in January 1875 came to Taiwan alone and made a walking tour around the island. He made a report about his scientific expedition, which was published in the *Morskoy Sbornik* («Морской Сборник») [sea collection] magazine in 1876. In 1877 this article (with paintings, and amendments) was published in German language in *Globus* scientific journal (Ibis, 1877). It should be noted that in those days the journey

Figure 1 Nicolae Miclescu Spătaru (1636-1708)



Note: Nicolae Miclescu Spătaru (1636-1708), Moldavian writer, diplomat and traveler, an ambassador of the Russian Empire to Beijing (1675-1678). In his *Travels through Siberia to the Chinese borders* (St. Petersburg, 1882) Miclescu described Taiwan.

Source: https://ru.wikipedia.org/wiki/Снафарий,_Николай_Гаврилович (https://ru.wikipedia.org/wiki/Снафарий,_Николай_Гаврилович#/media/File:Spafarii_trip_stamp.jpg – Общественное достояние (public domain – https://commons.wikimedia.org/wiki/File:Spafarii_trip_stamp.jpg)) (accessed 2017.01.13).

across the island required tremendous bravery and courage. Many areas of the island were almost inaccessible due to the difficult terrain, lack of roads and the dangers associated with the aboriginal tribes' custom for "headhunting".

The Union of Soviet Socialist Republics (USSR, Союз Советских Социалистических Республик) began to conduct official ties with the Republic of China (中華民國) after the Russian Revolution in 1917. This relation evolved from establishing official ties, turbulences, gradually thawing of tension, and then rebuilding economic and trade relations.

Franklin Roosevelt, Winston S. Churchill and Chiang Kai-shek (蔣介石) agreed to return Taiwan to China at Cairo conference in 1943. Stalin recognized that agreement during the Teheran conference. The official return of Taiwan to China was finally approved at the Potsdam conference in July 1945, and in September of the same year Formosa was returned under Chinese jurisdiction.

Chiang Kai-shek arrived on the island along with 1.5 million soldiers and their families in June 1949. In September 1950 the Soviet UN representative Yakov Malik (Яков Александрович Малик) demanded inclusion of the Taiwan status into the Security Council agenda and insisted on inviting the PRC delegation. During the discussion the Soviet delegation maintained that since Taiwan was the integral part of China, therefore all American troops located on the island and adjacent territories ought to be withdrawn.

Stalin's policy toward Taiwan lent itself to different interpretations. While some argue that he did not oppose a possible Chinese invasion and even helped modernize the Chinese military, others maintain that Stalin feared a war with the US and rejected any direct military assistance.

In 1954, after the Korean War, a Mutual Defense Treaty was signed between the governments of the United States and the Republic of China, which embraced US participation in military confrontations, if any, with mainland China. The Soviet Union, in a statement by the Minister of Foreign Affairs, called the signed convention a “rude violation of international agreements, sovereignty and territorial integrity of the PRC”. On October 3, 1949, the day after the Soviet Union first among other countries recognized the PRC, it was announced that relations and all contacts between the USSR and the Republic of China, being determined by the Treaty of Friendship and Alliance of 1945, were severed.

It should be noted that the USSR, adhering to the “one China” policy, initially insisted on resolving the crisis in the Taiwan Strait by political rather than military methods, as the Peking leaders tried to do in 1954 and 1958. In September 1954, when the artillery shelling of the islands adjacent to Taiwan triggered off the first in three Matsu-Quemoy crises (金門馬祖危機), the Soviet Union, through declaration by Premier Khrushchev (Никита Сергеевич Хрущев), officially confirmed its support for the PRC. Concurrently, Foreign Minister Molotov (Вячеслав Михайлович Молотов), accusing the US of unleashing the conflict, conveyed anxiety over the fact that the regional conflict could turn into a global war. Perhaps this approach was one of the reasons for the cooling of relations between the USSR and the PRC in the late 1950s.

Taiwan loomed larger in Soviet foreign policy after Stalin’s death and the subsequent end of the Korean War.

Shortly before the crisis, in June 1954, the Taiwan coast guard seized the Soviet oil tanker “Tuapse” (陶甫斯), bound from Odessa for Shanghai, under the pretext of violating the UN embargo against China.

The crew members were arrested, a year later 29 other crewmembers were released and returned to the USSR. The rest opted for staying in Taiwan; later 9 of them would eventually immigrate to the U.S. and Germany. By the end of 1958 seven crewmembers were still in Taiwan, the tanker itself was never returned, stayed in the port of Kaohsiung. What caused this incident to be blown out of all proportion was that it became the subject of a Soviet blockbuster movie in the late 1950s⁴.

Soviet policy toward Taiwan partly contributed to the Sino-Soviet split. After Washington deployed nuclear-capable cruise missiles in Taiwan in May 1957, Moscow finally agreed to help China's nuclear program. Without informing Soviet leader Nikita Khrushchev during their meeting in Beijing, Mao Zedong (毛澤東, Mao Tse-tung) later provoked the second Taiwan Strait crisis by bombarding the offshore islands on August 23, 1958.

In the summer of 1958 the bombardment of Matsu and Quemoy islands was resumed (the so-called "the second crisis"). Unlike 1954, when Soviet diplomats commented on the situation relying mostly on the PRC media, in 1958 their attention to the issue was more thorough. In addition to the PRC media, Hong Kong and Taiwanese press were also taken into account. A September 5, 1958 article in *Pravda* (Правда) reported that attacks on the PRC would be regarded as attacks on the USSR with all the subsequent countermeasures.

After Washington sent two more aircraft carriers to the Taiwan Strait, Soviet Foreign Minister Andrei Gromyko (Андрей Андреевич Громыко) went to Beijing to express concern over a possible major war. In fact, after the second crisis, Moscow abrogated its nuclear aid agreement and recalled its experts from China.

The 1960s witnessed some substantial changes. The American military presence on the island was diminished. Although in the 1950s Taiwan enjoyed the second place in the amount of American economic

and military support, in the 1960s that financial flow was considerably cut down.

Changes in the U.S. policy towards Taiwan can be attributed to the following reasons. Firstly, in the hope of weakening its arch-rival the USSR, America started to work with the PRC with the intention of deepening the contradictions between the two former socialist allies. Secondly, in search for a way out of the mess in Vietnam, the U.S. was hoping to attract China as a negotiator between them and the North Vietnamese government. Finally, and perhaps most importantly, American businesses soon realized the endless possibilities of the Chinese market. The chance of getting closer to China was worth sacrificing its former ally.

The official position of the USSR remained the same – the PRC government is the representative of China in the international arena, not the Chiang Kai-shek clique which took over the island lawfully belonging to the PRC.

The Sino-Soviet split and especially the Sino-US rapprochement created some incentives for Russia to improve relations with Taiwan.

Unofficial contacts between the USSR and Taiwan started at the end of 1960s, after the tendencies for a U.S.-PRC rapprochement had become obvious.⁵ It is well known that the visits by Richard Nixon and Henry Kissinger resulted in the signing of the so-called “Shanghai communiqué” in 1972 when it was declared that the U.S. “acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China”. Meanwhile, Taiwan hoped that a Soviet-Taiwanese rapprochement would prevent the rising number of the Sino-American contacts. Possibly, the USSR in its turn, considered that restoration of relations with Taiwan would help to slow down the aggravation in Soviet-Chinese relations. Taiwan was eager to compromise since after the weakening of its relations with the U.S. it

had little to lose. Unlike his father Chiang Kai-shek, who had adopted an anti-Soviet foreign policy, Chiang Ching-kuo (蔣經國, see Figure 2) understood Russia rather well, having lived there from 1925 to 1937, being married to a Russian, and later representing his father in occasional dealings with Joseph Stalin (Иосиф Виссарионович Сталин).

The Soviet Union, however, was very careful in its policy towards Taiwan, trading with it via Hong Kong, Japan, West Germany and its East-European allies. The Soviet leadership was probably worried that a re-establishment of official relations with Taiwan would bring too many problems to its relations with the PRC and could undermine its image. Therefore, most of the contacts were conducted through third countries on a non-governmental level.

Although diplomatic, economic and military relations with the PRC were interrupted for some time, the Soviet Union was unwilling to completely forget its former ally and embrace Taiwan. Each time Taiwan suggested establishing trade relations, the USSR showed restraint because of ideological reasons and refrained from direct contacts.

Taiwan was also held back by its traditionally suspicious view of Soviet policies, as well as by a possible disapproval from the American side. Also, the Taiwanese government was afraid to lose the trust of the anti-communist countries in case of establishing of relations with the USSR.

After the Jimmy Carter administration re-established Sino-American relations from January 1, 1979 the Taiwanese leaders had nothing left to do but to try to diminish their dependence on the U.S. and search for more flexible foreign policy.

When the reforms started in the USSR in the 1980s, Taiwan, one of the “Four Asian Tigers” or “Four Little Dragons” (亞洲四小龍), was often used as an example of a successful market economy.

Figure 2 Chiang Ching-kuo and Chiang Kai-shek



Note: Chiang Ching-kuo and Chiang Kai-shek (Hunan province, November 29, 1941).

Source: <https://zh.wikipedia.org/wiki/蔣經國> – https://zh.wikipedia.org/wiki/蔣經國#/media/File:Chiang_Ching-kuo_and_Chiang_Kai-shek.jpg – 公有領域 (public domain – https://commons.wikimedia.org/wiki/File:Chiang_Ching-kuo_and_Chiang_Kai-shek.jpg) (accessed 2017.01.13).

The late 1980s saw the Soviet Union improve its relations with both Beijing and Taipei (臺北). Mikhail Gorbachev's 1989 visit to Beijing ended the hostility between the two communist giants, but he did not block unofficial relations with Taiwan. Some members of the Soviet

elite, such as Moscow mayor Gavriil Popov (Гаври́л Харито́нович Попо́в), visited Taiwan. In 1990 Taiwan abolished the restrictions on direct trade and investments in the USSR, stimulating cooperation in the timber industry, fishery, while supporting cultural and technological exchange.

In September 1991, Taipei signed its largest trade deal ever with the Soviet Union, bartering consumer goods for Soviet raw materials. In 1991, Russia allowed the semiofficial China External Trade Development Council (CETRA, 中華民國對外貿易發展協會) to open an office in Moscow.

The demise of the Soviet Union seemed propitious for Russo-Taiwanese relations. After the break-up of the USSR Russia became its official successor internationally. Since 1991 the Moscow-based Taipei World Trade Centre has been in operation, as well as the representation of the TAITRA, Taiwan External Trade Development Council (formerly China External Trade Development Council, renamed in January 2004).

In September 1992 President Boris Yeltsin (Бори́с Никола́евич Е́льцин) signed “On Relations between the Russian Federation and Taiwan” decree which at present is the legal base for further development of their relations. The decree provided for the creation of the unofficial Economic and Culture Coordination Commission. Its Moscow representative office was opened in 1993 (Taipei-Moscow Economic and Culture Coordination Commission). The Taiwanese representative office was established in 1996 in Taipei (Moscow-Taipei Economic and Culture Coordination Commission). The offices carry the function of the communication channel, support cultural exchange, economic and trade relations, provide information services. The same presidential decree stated that there would be no change in Russia’s position on the Taiwan issue. Only unofficial contacts take place between Russia and Taiwan and all activities are conducted by

non-governmental organizations, private companies and trade associations.

In September 1997 Moscow and Taipei signed the agreement on air communication. In January 1998 the protocol for sea transport communication was signed, and in 2002, protocol for cooperation in small and medium-sized businesses.

Generally speaking, President Vladimir Putin (Владимир Владимирович Пúтин) has not deviated from his predecessor's Taiwan policy. As far as Taiwan is concerned, Putin has reiterated the "One China" policy. Russia expressed support for Beijing's anti-secession law in 2005, and denounced President Chen Shui-bian (陳水扁)'s proposed abolishment of the National Unification Council (國家統一委員會) and the Guidelines for National Unification (國家統一綱領) in 2006.

Moscow has confirmed its position many times; it was firmly fixed in the Russian-Chinese Treaty on good neighborly relations and cooperation of 16th July 2001, as well as in a number of bilateral documents. It was confirmed again by RF MOFA representative in May 2016 on the eve of the inauguration ceremony for ROC President-elect Tsai Ing-wen (蔡英文).

3. Bilateral Trade and Economic Relations

In the beginning of the cooperation in 1987 the volume of trade between the USSR and Taiwan was a mere 7.6 million USD. In further years, however, there was some improvement.

In 2015 Taiwanese-Russian bilateral trade volume decreased by 28 per cent and reached 3.6 billion USD compared to 5 billion USD in 2014. Russia became the 24th trade partner of Taiwan. The share of trade between the two countries is 0.7 per cent of the total volume of Taiwanese foreign trade. Taiwanese export to Russia (Russia is the 26th

Table 1 Taiwan's Trade with Russia (1996-2016)

Year	Total Trade Volume		Export to Russia		Import from Russia		Trade Surplus/Deficit	
	Amount (USD million)	Change (same period, %)	Amount (USD million)	Change (same period, %)	Amount (USD million)	Change (same period, %)	Amount (USD million)	Change (same period, %)
1996	1,205	-33.125	141	-18.841	1,064	-34.652	-923	-36.544
1997	1,409	16.946	173	22.129	1,237	16.258	-1,064	15.359
1998	982	-30.354	138	-20.267	844	-31.761	-706	-33.624
1999	1,291	31.539	108	-21.593	1,183	40.197	-1,075	52.227
2000	1,566	21.270	186	72.551	1,380	16.596	-1,194	10.985
2001	869	-44.515	265	42.420	604	-56.241	-339	-71.622
2002	1,183	36.121	255	-3.725	927	53.612	-672	98.473
2003	1,605	35.721	305	19.548	1,300	40.171	-995	47.998
2004	2,910	81.300	437	43.135	2,473	90.255	-2,037	104.701
2005	2,713	-6.766	516	18.293	2,196	-11.189	-1,680	-17.509
2006	2,507	-7.587	604	16.965	1,903	-13.360	-1,299	-22.682
2007	2,712	8.161	807	33.646	1,904	0.071	-1,097	-15.542
2008	3,616	33.370	930	15.160	2,687	41.090	-1,757	60.172
2009	2,774	-23.294	582	-37.385	2,192	-18.418	-1,610	-8.383
2010	3,417	23.186	1,081	85.782	2,336	6.563	-1,254	-22.082
2011	3,877	13.447	1,520	40.513	2,357	0.916	-838	-33.224
2012	4,675	20.588	1,541	1.411	3,134	32.950	-1,593	90.167
2013	4,744	1.473	1,500	-2.695	3,244	3.523	-1,745	9.538
2014	4,961	4.573	1,314	-12.350	3,646	12.395	-2,332	33.661
2015	3,555	-28.333	1,030	-21.664	2,526	-30.737	-1,496	35.851
2016 Jan.- Oct.	2,862	-7.684	711	-19.352	2,152	-3.048	-1,441	7.700

Source: Bureau of Foreign Trade, Ministry of Economic Affairs, Republic of China (Taiwan) (中華民國經濟部國際貿易局)

export market of Taiwan; proportion of Taiwan export volume to Russia accounted 0.37 per cent of its overall volume) fell to 1.0 billion USD (by 22 per cent), while imports fell to 2.5 billion USD (by 31 per cent to year 2014). Russia ranks 17th among import supply countries of Taiwan, the import proportion from Russia accounted 1.11 per cent of the whole. Table 1 shows the Russian-Taiwanese trade data for the last two decades.

The data in Table 1 reflect the development of bilateral trade and economic relations, although the processes are far from stable. For instance, there was some decrease in 2009, as a result of the reduction of Taiwan's total trade with foreign countries because of the global financial crisis, but the overall trend until 2014 was positive. 2014 proved to be the peak year in trade – US\$4,961 million.

The data in Table 2 show the diversity of potentials to develop future cooperation. It should be mentioned that so far Russia's exports to Taiwan are dominated by raw materials and semi-manufactured products (ferrous and nonferrous metals, metal scrap, chemical products etc.). Nevertheless, Taiwan businessmen are gradually opening up Russia's achievements in engineering, biotechnology, electronics, energy, applications of basic research and high technology.

As can be seen from the data in Table 3, Russia keeps a positive balance in its trade relations with Taiwan thanks to crude oil, cast iron and steel, non-ferrous metals, petrochemical products, ferroalloys, coking coal, timber, and chemical fertilizers. Russia imports mostly electronics and electronic parts, computers and computer parts, and home appliances. The negative trade balance issue is taken seriously in Taiwan. However, the prevalence of natural resources in Russian exports and industrial products in Taiwan are considered in Taiwan to be logical at the present stage of the relations.⁶ To improve the situation it is recommended to increase the export of Taiwanese products to Russia.

Table 2 Statistics of Taiwan's Key Product Imports from Russia in 2015

Item	Volume in 2014 (USD thousand)	Volume in 2015 (USD thousand)	Change in 2015 (%)	Share in total product imports (%)
Mineral fuels, oils, distillation products, etc.	2,609,940	1,672,182	-36	4.5
Iron and steel	525,748	453,915	-14	6.3
Organic chemicals	196,771	150,659	-24	1.9
Aluminium and articles thereof	126,853	94,232	-26	4.5
Pearls, precious stones, metals, coins, etc.	23,414	22,856	-2	0.5
Paper and paperboard, articles of pulp, paper and board	19,660	17,946	-9	1.3
Copper and articles thereof	16,434	16,674	1	0.4
Milling products, malt, starches, inulin, wheat gluten	69	13,727	19794	5.2
Fish, crustaceans, mollusks, aquatic invertebrates	4,541	11,555	154	1.3
Pulp of wood, fibrous cellulosic material, waste etc.	12,077	10,933	-9	1.7

Source: International Trade Centre (ITC) Trade Map.

Table 3 Statistics of Taiwan's Key Product Exports to Russia in 2015

Item	Volume in 2014 (USD thousand)	Volume in 2015 (USD thousand)	Change in 2015 (%)	Share in total product Exports (%)
Machinery, nuclear reactors, boilers, etc.	310,352	271,859	-12	0.8
Electrical, electronic equipment	362,802	199,496	-45	1.6
Ships, boats and other floating structures	1,026	103,944	10031	0
Iron and steel	71,472	71,924	1	1.6
Articles of iron or steel	65,751	60,129	-8	0.9
Vehicles other than railway, tramway	79,267	54,904	-31	0.3
Plastics and articles thereof	76,654	54,382	-29	0.8
Tools, implements, cutlery, etc. of base metal	88,685	43,148	-51	4.6
Toys, games, sports requisites	27,979	19,331	-31	1.3
Optical, photo, technical, medical, etc apparatus	34,648	16,798	-52	0.6

Source: ITC Trade Map.

The relatively low level of Taiwanese exports to Russia can be explained by several factors. Firstly, the price of Taiwanese products is still quite high for most Russian consumers, the rest prefer high-end European, American or Japanese products. Secondly, there are difficulties and complexities involved in bank transfers which are mostly done through third countries.⁷ Thirdly, there are not enough guarantees for the foreign investors from the government. Also, the high level of organized crime in Russia, along with a low level of security, further impedes progress. Taiwanese entrepreneurs believe that a slight increase in investment in the Russian economy is due to the high level of inflation, inefficient procedures for privatization of state property, the presence of language barrier, lack of protection of property rights, and excessive state regulation. These problems continue to deter foreign investors, in attracting of whom the Russian authorities are so concerned. As a result foreign businessmen, including the Taiwanese, prefer to invest in more stable and predictable regions (Ivanov, 1997: 48-49). It is also worth mentioning that Russia imports a lot of products from the PRC, part of which are in fact made at Taiwan-owned operations. However, this trade is officially considered in the statistics as part of the Russian-PRC trade.

Despite the overall growth of the trade and economic relations between Russia and Taiwan proportionally it is extremely low compared to the volumes of their overall foreign trade. For instance in 2015 Taiwanese exports to Russia accounted for only 0.37 per cent of the overall volume; Russia imports accounted for only 1.15 per cent of the whole.

In 2015 the imports of Taiwanese-made products in Russia experienced a significant fall. The imports of optical, photo, technical, medical, etc. apparatus fell by 52 per cent; the imports of tools, implements, cutlery, etc. of base metal fell by 51 per cent.

The volume of mutual investments is also low. According to the Investment Committee, Ministry of Economy Affairs, Taiwan R.O.C. (MOEAIC, 中華民國經濟部投資審議委員會) statistics, from 1952 to 2015, Taiwan directly invested in 10 Russian enterprises with total amount of US\$275.3 million. In the same period, Russia made a direct investment in 107 Taiwanese enterprises worth US\$105.9 million. Over the past six years investment from Russia has climbed up positively, implementing 74 investment projects in Taiwan.⁸

With the development of the market, Russia's motor industry, energy, petrochemical, electronics and food industries are becoming more attractive to Taiwanese companies with abundant capital and good technology and marketing capabilities. Currently, there are about 20 Taiwan-based manufacturers in Russia. Apart from the two companies engaged in trade and tourism in Saint Petersburg, Evergreen (長榮) and Yang Ming Marine (陽明海運), most of them are concentrated in Moscow, mainly engaged in trade, tourism or marketing services. Taiwanese information technology companies such as Acer (宏碁), AsusTek (華碩), Gigabyte (技嘉), MSI (微星, Micro-Star International Co., Ltd), FSP Group (全漢企業), Advantech (研華), Shung Ju Technology (雄鉅科技), HTC (宏達), Thermaltake Technology (曜越科技), ATEN (宏正) and other companies have set up representative offices in Moscow, to provide Russian dealers with marketing support services. In the manufacturing sector, it is reported that Tongtai Group (東台) has plans to set up factories in Russia's assembly machine industry, and another company, Firich Enterprises Co., Ltd (FEC, 伍豐科技), has invested in Vladivostok in casinos (Tigre de Cristal, 水晶虎宮殿),⁹ showing that Taiwan's investment in Russia has increasingly diversified.¹⁰

In Russia there are around ten Taiwanese midsize companies operating in trade, service, information, and restaurant and tourism businesses. In Saint Petersburg there are three Taiwanese companies dealing with sea freight, tea trade, and tourism; while there are two companies dealing with fishery in the Russian Far East (Дальний Восток России). The rest of the Taiwanese companies are located in Moscow; these are representatives of computer companies supplying their products to the Russian market.

In 2002 seven Russian companies were operating in Taiwan in the areas of international trade, information services, and sea freight. Meanwhile Taiwanese businessmen are trying to establish direct contacts with some of Russia's privately owned businesses, avoiding the inefficient government structures.

Representatives of trade circles often exchange visits, and participate in all kinds of trade shows and conferences. In September 2002 the 3rd APEC (Asia-Pacific Economic Cooperation) Investment Forum was held in Vladivostok. A delegation of 29 people from Taiwan took part in it. It was led by Chang Chun-hsiung (張俊雄), former Prime Minister of Taiwan, and then the Secretary General of the ruling Democratic Progressive Party (民主進步黨 / 民進黨). Besides him, other members of the delegation included the Minister of Transportation Lin Ling-san (林陵三), Chairman of Labor Committee Chen Chu (陳菊), and officials from the Ministry of Economics and Committee on Agriculture. According to the media it was one of the highest levels of presentation of the Taiwanese government in Russia in recent memory.

To promote mutual contacts the Taiwanese often invite Russian political and governmental dignitaries to visit the island. Among those who have were former USSR president Mikhail Gorbachev (Михаил Сергеевич Горбачёв), former Mayor of Moscow Gavriil Popov, and

Chairman of the Liberal Democratic Party of Russia (LDPR/ЛДПР) Vladimir Zhirinovskiy (Влади́мир Во́льфович Жирино́вский), just to name a few. In 1990 Vladimir Putin, then the vice-mayor of Saint Petersburg, met with the future president of Taiwan Chen Shui-bian, then the mayor of Taipei.

In 2003 the Taiwan-Russian Association was established on the island. The former Prime Minister Chang Chun-hsiung became the chairman of that organization which proves the high level of interest of the Taiwanese to further develop cooperation with Russia.

As for the future prospects of the relations, the Taiwanese side constantly brings up the subject of direct air flights, which would reduce the distance and make the contacts more intensive.

Trade and economic relations between Russia and Taiwan can be greatly expanded. Taiwanese government officials consider that to achieve that it is necessary to sign a number of bilateral agreements, such as an agreement on the protection of investments, no double taxation agreement, and a customs clearance agreement. Taiwanese businessmen hope to have the same conditions in Russia as given to foreign investors in the PRC and Southeast Asia. Moreover they hope for simpler formalities in the Russian administration system.

For further development of the relations Taiwan could invite Russian specialists. Besides semiconductor technologies, Taiwan does a lot of work on biotechnologies, the creation of digital archives, telecommunications, optical electronics, etc.

Many people see good possibilities in buying Russian resources, first of all oil. Whilst Russia is very rich in resources, Taiwan extremely lacks them.

At present the Russian share of Taiwan's operations with Europe accounts was a mere 3.6 per cent. To develop the relations, according to Russian and Taiwanese businessmen, it is necessary to create the legal

basis, sign agreements providing privileges for joint projects, and establish correspondent relations between banks. Also international organizations, such as the World Trade Organization (WTO), could facilitate the process.

To realize these plans the participation of competent Russian governmental structures becomes necessary. However, the absence of governmental agreements between Russia and Taiwan is a great obstacle for further development of the relations. It can be proposed that economic cooperation can be developed in the absence of governmental ones. In fact, despite no diplomatic relations between Beijing and Taipei the volume of trade over the Taiwan Strait accounts for billions of dollars.¹¹ Taiwan does not have diplomatic relations with the US or Japan. However, the trade volume between them is many times higher than that of Taiwan and Russia.

Separated from the world market for most of its history, the Russian Far East (RFE) is becoming a full participant in international trade. This presents unique opportunities for foreign businesspeople, including from Taiwan. The RFE, or the Far Eastern Federal District, is the largest in Russia as regards its territory. The region has four time zones; its area equals 6,215.9 thousand sq. km, which makes up 35.6 per cent of the Russian territory. As of today, 7 million people, or 5 per cent of Russia's entire population, reside in the RFE. The largest cities in the District are Vladivostok, Khabarovsk, Komsomolsk-on-Amur, Blagoveschensk, Petropavlovsk-Kamchatsky and Yakutsk.

It is rich in natural resources, including oil, natural gas, gold (more than 70 per cent of Russia's output), timber, fish, coal, diamonds (almost 100 per cent of Russia's production), silver, platinum, tin, lead, and zinc – the percentage of extractive industries is about 17 per cent of Russia's total.

4. Russia-Taiwan Relations and the Economy of Primorsky Krai, Russian Far East

The perspectives of the Russian-Taiwanese relations drawn by scholars are mostly based on assumptions and are evenly applicable to the economy of the Primorsky Krai (Приморский край, Maritime Province/Territory). Below let us take a look at some of them that have significance to the economy of Primorsky.

Opening of a direct air connection between Taipei and Vladivostok could facilitate an expansion of contacts. The first couple of flights were conducted at the end of April – beginning of May 2001. The direct air connection was supposed to have great importance for tourism development.

Vladivostok is a convenient and potentially important transit point for Taiwanese going to the northeastern provinces of China, North Korea, or other Russian cities in the Far East and Siberia and even Moscow. However, first there was a delay in the organization of flights and later the whole project came to a halt for an indefinite time. Up to this day some technical issues remain unresolved. Besides, the Chinese position on the Taiwan issue remains a strong political factor.

To facilitate this project there was a plan to relocate part of the investments from China and Southeast Asia to the Far East of Russia, an area rich in resources. The Foreign Minister of Taiwan stated in 2002 that Taiwan was ready to invest in the development of natural resources of the Far East if “the necessary conditions were created, including financial routes control”.

The Vladivostok free port (VFP) has already started to work. One of the key hubs of the Russian free trade in the Asia-Pacific to connect a few directions – Trans-Asian, Far-Eastern and Pacific – may become VFP. Ports of Zarubino, Slavyanka, Posyet, Nakhodka are now included in VFP area. Closeness of Primorsky Krai to the borders, state programs

to improve transport and logistics infrastructure and enhancement of the business climate – becomes potentially important to develop business and entrepreneurship initiatives and to attract investments including foreign.

Among other prospective areas of bilateral economic cooperation is Taiwan's participation in development, transportation and utilizing energy resources located in the Far East, Siberia and Sakhalin. Taiwanese governmental and commercial organizations are interested in the development of the Sakhalin oil and gas resources. Sakhalin is close to Taiwan, therefore the transportation expenses would be low and the supply itself could be more stable than that from the Middle East and other distant regions.

The importance of Primorsky's location is also defined by the terminal of the Trans-Siberian Railway, the world's longest railway; the 100th anniversary of its creation was celebrated recently. The railway could give Taiwanese businessmen an extra opportunity for the economic development of Siberia, Russia, and Eastern Europe. Besides, Taiwan could be an investor and benefactor of the project connecting the Trans-Siberian and Trans-Korean railways.¹²

In August 2003 Vladivostok trade port signed a friendship agreement with Taiwan's Port of Kaohsiung which has same agreements with ports in the US, Middle East and Europe. The Vladivostok port became the 14th in that list and the first in Russia. Kaohsiung port is one of the 5 biggest in the world and the biggest in Taiwan. With Russia it is connected through supplies of steel.

Cooperation between the Russian Far East and Taiwan could also be profitable in the fishery and replenishing of fishing resources, production and processing of timber, and the development of business.

According to the Far Eastern Customs Administration in 2015 the foreign trade turnover of Primorsky Krai decreased by 45 per cent

compared to 2014 and amounted to US\$7.0464 billion. Export fell by 36 per cent to US\$3.3721 billion, and import fell by 52 per cent to US\$3.6743 billion.

The largest volume of foreign trade operations in 2015 has traditionally fallen to China – 50 per cent, the Republic of Korea – 15 per cent, Japan – 11 per cent and the United States – 1 per cent. The trade turnover with these countries every year is almost 80 per cent of foreign trade turnover of Primorsky Krai.

The trade turnover of Primorsky Krai with Taiwan in 2015 decreased compared to 2014, and totaled US\$95 million.

Exports decreased by 3 times and amounted to US\$46.5 million due to the decline in exports of almost all major product groups: oil products – 3 times to US\$41.9 million; waste and scrap of ferrous metals – 5.2 times to US\$2.7 million; products for railway and tram tracks – 8 times to US\$0.9 million.

Import decreased by 1.5 times to 48.5 million US dollars at the expense of such goods as plastics – 2.5 times to US\$4 million; electric appliances and its parts – 4 times to US\$1.2 million; parts and accessories for motor vehicles – by 35 per cent to US\$2.5 million; furniture and parts thereof – 3 times to US\$0.3 million. At the same time there was an increase of imports from Taiwan of machinery, equipment and their parts by 35 per cent to US\$18.1 million, and entertainment games ware by 8 times to US\$0.8 million.

In the first quarter of 2016 the trade turnover of Primorsky Krai with Taiwan declined by 17 per cent to US\$29.6 million; export by 20 per cent to US\$14.9 million; import by 18 per cent to US\$14.7 million. Commodity nomenclature of exports and imports has not changed.

Searching for cutting edge technologies Taiwan could use Russian scientific and technological findings in the areas where Russia still holds leading positions. These would be space monitoring to prevent natural

disasters and man-caused disasters, minimizing the consequences of such disasters, shipbuilding, and biotechnologies.

The cooperation in science and high technology fields could be based on previously signed framework agreement between Taipei-Moscow Economic and Culture Coordination Commission and Moscow-Taipei Economic and Culture Coordination Commission with the participation of the Taiwanese National Science Council and the Russian Foundation for Basic Research (RFBR). Both sides had many joint projects under way and their number is scheduled to increase.

The scientists of the Far Eastern branch of the Russian Academy of Sciences could share their views on processing the mineral resources, dealing with agricultural waste, producing super-clean organic and non-organic materials, water-cleansing technologies, new information technologies (including satellite monitoring), biotechnologies and many others. At that, the FEB RAS has hard time putting these projects in practice and Taiwan has great experience of selling its products in the world markets, which gives new opportunities for the creation of joint ventures, research centers, technoparks, etc.

Taiwan and Russia have increasing exchanges of students each year. Several dozens of Russian students have been studying Chinese language in Taiwan universities. In many local universities there are teachers of language, arts and sciences from Russia.

Taiwanese people know very well and appreciate Russian art and culture. Famous Russian artistic groups, ballet dancers and musicians regularly perform in Taiwan. Exhibitions devoted to world-known Russian writers Alexander Pushkin (Алекса́ндр Серге́евич Пу́шкин), Lev Tolstoy (Лев Никола́евич Толсто́й) and M.A. Sholokhov (Михаи́л Алекса́ндрович Шо́лохов) were held recently in Taiwan.

5. Conclusions

There is no denying that today's Russia is a shadow of its former self during the Cold War era, but it is a mistake to underestimate Russia, a country that occupies the world's largest territory, boasts the world's second most powerful military forces, and possesses the tenth largest population. According to the World Bank, even its lackluster economy ranked eleventh in the world in 2006.

At present neither side sees the other as an enemy which gives more opportunities for broadening economic ties, trade and mutual understanding.

An analysis of bilateral trade provides considerable evidence to the compatibility and complementariness of the Russian and Taiwanese economies. At the same time the existing possibilities for the development of trade and economic relations are realized insufficiently.

In its relations with Taiwan, Russia does not recognize the island's independence, considering it to be an integral part of China. While trade and economic relations remain on the unofficial, non-governmental level, their significance is recognized by both sides.

For Russia, relations with Taiwan do not seem to necessarily be related to its direct interests. Indeed, the security and stability of its shared border with PRC appear more decisive, although Russia and Taiwan have been gradually evolving dialogue relations in economic cooperation.

Many countries, though not having diplomatic relations with Taiwan, maintain close economic ties with Taiwanese companies, which is profitable for both sides.

While maintaining firm a position on the Taiwan issue, Russia started developing its relations with it in various fields. However, for a number of reasons the cooperation with Taiwan is limited to Moscow and Saint Petersburg. Primorsky Krai, although located close to Taiwan,

has failed to capitalize on any of its geographical advantages. Meanwhile, Taiwan has proved its importance for the region after quickly recovering from the world financial crisis.

Russia and Taiwan have good chances of developing bilateral trade, investments and technology cooperation, are capable of meeting new challenges and steadily moving towards the effective partnership goals. The way to the good level of cooperation could be difficult and will take some time, but it is in the interest of both sides, which are able to do much more for the common benefit of their economies and people.

Notes

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1. Per capita gross domestic product (平均每人國內生產毛額) in Taiwan in 2015 was US\$22,384 (35th in the world), and its gross domestic product (國內生產總值) was US\$525,196 million. External trade (進出口貿易總值) in 2015 was US\$522,563 million, with export being US\$285,344

million, and import US\$237,219 million. Foreign exchange reserves (外匯存底), one of the biggest in the world, in December 2016 was US\$434.20 billion. Taiwan is one of the major capital exporters, especially to Southeast Asia; its investments into the major ASEAN (Association of Southeast Asian Nations) countries reached US\$13101.43 million over the past five years (<https://www.dois.moea.gov.tw/Home/relation3>). Taiwan's competitiveness in global economic system in year 2016-2017 was evaluated to be at the 14th place. (Sources: Directorate General of Budget, Accounting and Statistics, Executive Yuan, Republic of China (Taiwan); The World Bank; Central Bank of the Republic of China (Taiwan); Department of Investment Service, Ministry of Economics, Republic of China (Taiwan); World Economic Forum.)

2. Formosa, the name of the island popular in English literature, means "magnificent island". The island was given its name by the Portuguese who first discovered it in the 16th century. The island is located about 100 km to the east of continental China and has a territory of approximately 14 thousand sq. km.
3. Nicolae Milescu Spătaru (1636-1708), a Moldavian writer, diplomat and traveler. In 1675, he was appointed as an ambassador of the Russian Empire to Peking (Beijing), the capital of Ch'ing (Qing) China, returning in 1678. In his road journal, later published under the title *Travels through Siberia to the Chinese borders* (St. Petersburg, 1882), Milescu described China and Taiwan.
4. In 1958 a film called *Chrezvichainoye Proisshestiye* [An extraordinary incident] was made in the USSR which was based on a true story. The black and white movie is full of ideological stamps of socialist propaganda; however, it remains popular to this day. Despite socialist stereotypes, the main theme of the film was the courage of the people who were deliberately sacrificed for ideological reasons. In 1959 the movie was a major hit with 47.5 million viewers in the country.

5. It is worth mentioning the visit in October 1968 of the Moscow-based freelance reporter for the *London Evening News* Russian citizen Victor Louis to Taiwan. It was the first visit made by a Russian to Taiwan since 1949. He managed to meet with the Minister of Defense Chiang Ching-kuo, the son of Generalissimo and President Chiang Kai-shek, who later succeeded his father to serve as premier and then president of the Republic of China. In 1969 the Deputy Minister of Education of Taiwan visited the USSR.
6. According to the former Taiwan representative in Moscow Mr. Chen Rong-jye (陳榮傑), since Taiwan imports the resources that the island lacks, the trade deficit can be considered positive (自由時報 (*Liberty Times*), 22nd November 2002, p. 4).
7. Taiwanese banks are careful with letters of credit issued by Russian banks. The payments are done with bank transfers or in cash. Among the banks that deal with Taiwanese businessmen are Gazprom bank, International Industrial Bank, Uralsib bank, Globex bank, Alfa bank, and Guta bank.
8. The situation with protection of foreign investors becoming better than in 1990s, when foreign businessmen were pushed from joint businesses as they were less protected and badly oriented in the Russian business environment. Now many government institutions are seeking to attract and protect foreign investors. On the federal level it is a department of the Ministry of economic development. In the Far East, foreign business is supported by the Ministry for development of the Russian Far East and by Presidential Plenipotentiary Representative in the Far-Eastern Federal District Yury Trutnev (Ю́рий Петро́вич Тру́тнев).
9. The “Tigre de Cristal” integrated entertainment resort in Muravyinaya Bay near Vladivostok is popular among the tourists; on weekends it is visited by 1000 persons, on weekdays by up to 600 people (Miklushevskiy, 2016: 7).

10. In September 2016 during the Asia-Pacific Economic Cooperation summit in Vladivostok on the Russky Island (Русский остров, Vladivostok's municipal district) one of the world's largest aquariums and the largest in Russia was opened. Investors from Taiwan participated in the construction of the aquarium.
11. According to the analysis of leading economists, the overall volume of Taiwanese investment in continental China is around US\$70 billion. That is comparable to the sum invested by U.S. in China. Although politically mainland China is opposed to Taiwan, the Taiwanese economy has become increasingly tied to the Chinese one. The main reasons for that are the cheap labor force and huge potential of continental China's market. (China's Ministry of Foreign Trade & Economic Cooperation; US Commerce Department; Morgan Stanley; Goldman, Sachs. In: Meredith, 2002: 34-36).
12. The fact that the transportation of a standard container by sea from Southeast Asia to Europe costs US\$1500-1800 and takes a month when transportation from Pusan (부산 / 釜山) via Siberia (Сибирь) costs only US\$600 and takes 13 days proves the expedience of the project.

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Biopolitics and Social Wellbeing

Institutional Approach to Anti-corruption Efforts in Taiwan, Hong Kong and Mainland China: Improving the Norms, Strengthening the Ethics

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Abstract

This paper explores institutional and normative developments in the area of anti-corruption efforts in three Chinese-speaking countries/territories with the latest emphasis on fostering all-encompassing corruption-intolerable environment. Hong Kong's experience is often regarded as the high standard in establishing efficient anti-corruption institutions in inhospitable conditions. Over relatively short period of time – Hong Kong's Independent Commission Against Corruption (ICAC) was established in 1974 – the city made great strides against official corruption and has upheld its clean reputation ever since. ICAC's former Deputy Commissioner and Head of Operations cites the 2000 public opinion poll in which Hong Kong residents named ICAC's establishment the 6th most important event in the city's 150-year history. ICAC is an example of a successful reactive approach to anti-corruption. Taiwan has its own success story. The Control Yuan – part of a unique five-branch government structure – combines watchdog and ombudsman

functions which nowadays are considered prerequisite for successful fight against corruption and even more important for preventive efforts. This institution – supported by legitimacy of tradition – has a potential to become a coordinating center for comprehensive anti-corruption policy with more specialized agencies handling various aspects of corruption and economic crimes. Lately the Control Yuan's role in Taiwan's political structure has been debated, but it remains an example of effective proactive approach to fighting malfeasance. China's anti-corruption strategy for 2013-17 aims to put forth a “dense net” of regulations, institutions and ethic norms towards country-wide corruption-intolerable environment. Preventive measures that include citizens' awareness-raising and increasing ethical requirements of government workers warrant additional attention.

Keywords: *anti-corruption strategies, law, institution-building, awareness-raising, citizens' participation, ethics*

1. Introduction

Corruption issue is at the forefront of political life worldwide. From stealing international financial institutions (IFI)s' grant money thus further endangering large groups of struggling population to building Byzantine offshore empires to stash away ill-gotten wealth of selected few (again, most likely acquired at the expense of the vulnerable populace) – these are examples of fairly straightforward, if that can be said about a crime, corruption. There are also other kinds – much more subtle and indirect, involving mostly not financial exchanges but trading in intangible goods – influence, advantages and opportunities. It is this latter one that presents a whole host of new complex issues for anti-corruption forces to confront.

On September 21 of 2016 the front page of authoritative Transparency International's website posed a question "What is Grand Corruption and how can we stop it?" TI went on to suggest a definition of grand corruption – "the abuse of high-level power that benefits the few at the expense of the many, and causes serious and widespread harm to individuals and society. It often goes unpunished"¹. This is a long overdue and particularly welcome development in the field of the theory of corruption which calls attention to corruption as a sociopolitical phenomenon and not merely illegal (or extralegal) economic exchange which was the prevailing theoretical approach to corruption for the last thirty years. The damage caused by corruption to societies (particularly developing one) was neatly delineated into "economic" and "political" with little attention paid to more ephemeral things like moral and ethical values which in turn informed public perceptions, etc. – creating "a fertile ground for corruption". All that was viewed as supplemental but not really meaningful – laws and rules of economic development, not the cultural norms and values – were propelling societies forward.

This approach began to shift in the 1990s – the Soviet Union breakdown, collapse of the "socialist order", end of colonial rule in Hong Kong, Macao and other places were systemic changes that brought about search for new identities and paths of development. In the preface to T. Wing Lo's book *Corruption and politics in Hong Kong and China* Colin Sumner wrote that "we enter a phase [defined by then the emerging challenges of the 1990s] which will demand, from all of us, a new clarity on fundamental social values, and a stronger vision of the kinds of social censure and social regulation necessary to promote peace, health, growth, equity and co-operation on an international scale" (Lo, 1993: x).

The 2000s brought on yet more changes, challenges and conflicts which seem to become more complicated and multi-faceted each year. In

the area of anti-corruption efforts and clean governance the clear trend is towards the understanding of the ripple effect illegal and unethical actions (or lack thereof) create. The issue of illegal vs unethical actions now features prominently in the latest studies of corruption and anti-corruption policies; the country-specific cultural backdrop attracts renewed attention. United Nations Secretary-General Ban Ki-moon (반기문 / 潘基文) opened the 71st annual debate of the UN General Assembly in September 2016 with a call on world leaders “to recognize that the important positions they hold are a reflection of the trust the people have in them and not their personal property”². Ban stressed that today the world confronts complex security and stability threats from armed conflict to radicalization and deals with humanitarian crises. These challenges were made ever more serious by governance failures and have pushed societies past the brink and threatened social cohesion. In working on resolving these major threats the Secretary-General expressed that “even though a perfect world may be on the far horizon, the route to attaining it is in each and every one of us”³. Sharing and assuming responsibility for proper governance and its possible failures has been subject of a growing number of academic studies recently with a renewed debate on Western vs Asian societal values and traditions. Acknowledging the millennia-long experience of Confucian philosophy-informed governance, Western scholars tended to interpret the “Confucian culture” (widely used term) as monolithic and not lending itself to change particularly in the matter of governance. Lucien Pye – the foremost authority on Chinese political culture – identified a number of its most prominent characteristics that persisted from the ancient times into modernity. Imperative of conformity, strict power hierarchy, unquestionable priority of collective over individual and, most importantly, rule of men over rule of law render the Western notion of impersonal professional bureaucracy – the prerequisite for efficient

governance – irrelevant in Asian settings. There are further finer points Pye focused on, such as preference for authority in a much wider ethical sense in Asia vs actual policy-makers in the West, ritual closely tied into governance, etc. However, he cautioned against applying a “traditional culture” model to one and all, and pointed out successful examples of modernization that brought around highly efficient governments and thriving societies in Asia (Taiwan is one of them)⁴.

For the purposes of the present paper we will clarify the terms referring to “Myths and Realities of Governance and Corruption” by the World Bank’s economist Daniel Kaufmann which cautions against confusing these two definitions. The term “clean governance” features prominently today in many anti-corruption programs. Kaufmann’s definition of governance is “the traditions and institutions by which authority in a country is exercised for the common good”. These include:

- The process by which those in authority are selected, monitored, and replaced (the political dimension);
- The government’s capacity to effectively manage its resources and implement sound policies (the economic dimension); and
- The respect of citizens and the state for the country’s institutions (the institutional respect dimension)⁵.

Further, challenging the traditional definition of corruption as the “abuse of public office for private gain”,⁵ Kaufmann suggests viewing it as a broader phenomenon in which private agents must share responsibility (which echoes the sentiment of UN Secretary-General cited above about us all doing our part in building a world which is, even if not perfect, at least good enough for everyone).

Private agents acting as “corrupting” factors for the government actors (not to diminish the latter’s responsibility for participating in

illicit collusion!) are usually less constrained by the letter of law, and more by established “codes of honor” for doing business. Ideally when encountering questionable situations they ought to abide by ethical criteria. So in order to further raise the efficiency of anti-corruption work, governments should minimize the negative influences coming from outside the governance system. Again, this is not to discount the importance of punishing corrupt offences and offenders. The GlaxoSmithKline China office case that resulted in prison sentences for private actors demonstrates the emerging trend of meting out increasingly stricter punishments to the “bribing side” whose acts (paying off doctors for excessively prescribing GSK products, in this case) while clearly being unethical from the viewpoint of conducting business, are not necessarily illegal. The latest amendments of the People’s Republic of China (PRC) Criminal Code signify the determination of the government to use the deterring potential of strict criminal sanctions for the parties that “chase government officials” (圍獵 / *weilie*) to the fullest⁶.

Citing examples of powerful firms exercising undue influence and shaping policy for their own benefit, Kaufmann suggests an “alternative, broader definition of what constitutes corruption, namely ‘the privatization of public policy’”, in which public policy is understood to include *access to public services*: “According to this more neutral definition, an act may not necessarily be illegal for it to be regarded as corrupt in a broader sense.”⁷ The above-mentioned TI’s definition of grand corruption demonstrates similar leanings. A few elaborations follow for the purposes of the present article.

“Grand” appears to be a slightly misleading adjective here. At the first glance it calls to mind the scale of corruption in financial sense – amounts stolen, misappropriated or offered as a payoff. However, here we are talking about a group of people usurping the opportunities and

choices of many by ways of inappropriately using power resources entrusted to them. This usually happens in the higher echelons of power and there is usually no immediate victim (a person who has been pressured for a bribe, for example). It is the wider population who loses in a longer term as a result of inappropriate choices made by those in power when they are guided by narrow group or personal interests, likes and dislikes that are not supposed to come into play while the people in question are fulfilling their official (formal) duties. To avoid that regrettable possibility, ethical norms must be internalized by the prevailing majority of citizens. That in turn will provide firm foundation for decision-making for persons in power on all levels and further strengthen the position and effectiveness of anti-corruption institutions. The old Chinese proverb “if the upper beam is not straight, the lower ones will go aslant” or that “the straight beam cannot be fashioned out of warped wood” (上樑不正下樑歪⁸) neatly sums up the above reasoning. Let us look closer at the experience of three Chinese-speaking countries/territories in that regard.

People’s Republic of China (PRC), Hong Kong and Taiwan selected as a subject of the present article share common linguistic background and Confucian philosophy-dominated approach to governance; their modern history is not lacking in radical changes that continue to exert considerable influences over all facets of state functioning including their choices of anti-corruption strategies. We shall look at the institutional and normative developments in the area of anti-corruption efforts there with the emphasis on fostering all-encompassing corruption-intolerable environment which is at the vanguard of “fight corruption, build clean government” strategies in all three countries/territories lately.

PRC, Taiwan and Hong Kong differ greatly in the choice of directions their clean government-building efforts take and public

perception of the present-day situation. Assessing the effectiveness of any particular approach is not the goal of the present article; we are to evaluate their strengths and weaknesses and possible cross-border adaptability and point out areas of concern. We will analyze the functions of institutions charged with anti-corruption efforts and the importance they attach to society's involvement in anti-corruption fight which also differs to a great degree. This societal involvement via established or newly created institutional channels is of a special interest and importance – until recently anti-corruption and clean government efforts were regarded as purely legal or purely political activity with the wider population not featuring as an actor. The chronological timeframe will be the period of late 1940s up to the present. The starting point was a tumultuous time for all three territories in question and it imprinted deeply on both the perception of the issue of corruption itself and the responses politics eventually formulated to it.

2. Hong Kong (香港): Enforcement, Prevention and Community Education (結合執法、防貪和社區教育)

Hong Kong's anti-corruption fight has gotten off at a really low start – by the time its Independent Commission Against Corruption was established in 1974, the situation was desperate. “Syndicated” corruption plagued government agencies virtually replacing their proper functioning with illegal exchanges fueled by money and favors; *laissez-faire* attitude in business allowed for free use of bribery, extortion and other unsavory methods of doing business with the government turning a blind eye. In the eyes of the local population British colonial powers were doing nothing to remedy the situation despite the fact that basic legal foundation prohibiting and punishing bribery (as the most basic form of corruption) was in place⁹. Things got worse in 1930-40s when

waves of refugees from China were drowning the territory and its official agencies were totally unprepared for the influx. That precipitated cynical and apathetical approach to anti-corruption efforts which became a formidable obstacle to overcome.

In his study of the Commission's experience, Bertrand de Speville – ICAC Commissioner in 1993-96 – provides an interesting twofold reason as to why millions of new arrivals greatly exacerbated the already serious corruption problem. First, they were coming from a chaotic China where corruption was a way of life at the time, and second, paradoxically, because newcomers in those times did not regard Hong Kong as their ultimate destination. Since in the minds of many the city was merely a stopover on the ways to greener pastures, why bother trying to obey its laws and adhere to high moral standards? Paying off every government employee – just like locals did – was a price of staying there for the time being (de Speville, 1997: 13-14).

Responding to a deepening crisis and population growing restless with students being at the vanguard of demanding changes, Hong Kong authorities formed the Standing Committee on Corruption in 1956 to advise the government on related matters. The first attempt to create specialized corruption investigation unit was made in 1952 – Anti-Corruption Branch (ACB) was established within the Police Criminal Investigation Department which did not lend it any credibility in the opinion of the Hong Kong population. That in turn made impossible any meaningful investigation of alleged corruption offences since it depends in a large part on reporting from the public.

Intense discussions followed on the matter of possible independence of future anti-corruption body. Famous 1973 reports of the Commission of Inquiry under Sir Alastair Blair-Kerr on the circumstances of the Peter Godber case¹⁰ – and with further recommendations on how to remedy the situation – which is generally considered to have become the final

push towards truly independent anti-corruption agency. The reports extensively studied the experience of ACB and concluded that its efficiency had been very limited, especially in unfavorable light of the Godber case which once again confirmed the public's worst suspicions – and at this point, administration's admittance – of a grim situation with police corruption. Importantly, the reports not only touched upon legal and political reasons and implications, but also drew upon foreign experience and provided keen observations of the socio-cultural situation in Hong Kong which might affect the functioning of a new agency. Keeping in close touch with the community was one of ICAC's priorities from the start. Immediate establishing of hotline to report anything that merely *might* relate to corruption sent a powerful signal that the new government institution is willing to listen to citizens' concerns. Close statistical monitoring of citizens' involvement in anti-corruption fight allowed for timely adjustments of policies and resource allocation (including academic research of corruption-related phenomena).

Political will and readiness to assume the responsibility for dual task of setting the goal of eliminating corruption as the highest priority, and of getting the ICAC work off the ground also mattered greatly. Sir Jack Cater (姬達爵士) – the founding ICAC Commissioner – was passionate about his task and is credited with ICAC becoming a truly efficient organization. He was “highly self-disciplined and could be stern with himself as with others ... He cared deeply about his work and he encouraged the careers of talented young officials”¹¹. “Hong Kong's Knight in Shining Armor,” *South China Morning Post* wrote in *memoriam* in 2006. His unwavering opinion was that “in the final analysis the offensive against corruption can only be fully effective if it has the wholehearted support of the public”¹².

Earning that wholehearted support has been one of the three main directions of ICAC work from its inception. Not only its investigative

work depended to a great degree on the public reporting corruption offences, but in order to really turn the tide the wide-scale preventative work had to be carried out throughout the city, impossible without community cooperation. The Community Relations Department (社區關係處) coordinates the efforts and its mandate is wide. The Department comprises two divisions with the first one mapping out strategies for promoting public awareness of the anti-corruption cause; disseminating anti-corruption messages through the media (both traditional and new); maintaining contacts with anti-corruption authorities worldwide and mainland China. This is done by specialized groups (專門組). The second division is in charge of “face-to-face” interactions and education of the general public and relies on its regional offices (間分區辦事處) with significant efforts – and funds – earmarked for that. ICAC’s Community Relations Department is charged with “educating the public about the evils of corruption and to enlist and foster its support in combating corruption” (de Speville, 1997: 51). With that in mind, ICAC’s education initiatives are not focused exclusively on rooting out corruption, they also contribute to providing moral and ethical education for the young population thus assisting in upbringing the responsible and morally upright citizens, which is indispensable for effective withstanding of potential corruption in the future. As a positive “side effect” Hong Kong residents are very familiar with ICAC functions from a young age, which helps with what Seymour Lipset called “legitimacy” (of the state institutions) – or the degree to which institutions are valued for themselves, and considered right and proper (by all members of the society) (Lipset, 1959: 71). Together with economic efficiency, he considered legitimacy of state institutions prerequisite for stable democracy.

To summarize the most important features and functions of ICAC’s community outreach:

- Multiple (seven) regional offices are maintained in Hong Kong for further ease of reporting possible offences (today non-anonymous reports outnumber anonymous). ICAC's central office has 24-hour officer's presence for "face-to-face" reporting.
- ICAC calibrates its outreach to different social groups – from professionals to kindergarten teachers to elementary school students – fully utilizing possibilities provided by technology. ICAC maintains an active presence in all popular social networks, from Facebook to Weibo to Line and maintains its own channel on YouTube¹³. It presents positive role models appealing to different demographics maintaining the overarching theme of zero-tolerance to corrupt offences and shared responsibility for Hong Kong's prosperity, and adherence to upright ethical ideas. The YouTube channel slogan is "Spread sincerity in the whole city" and "Concentrate the strength of the whole city to spread honesty [and good reputation] in the whole city!" (「全城•傳誠」凝聚全城力量，傳揚誠信遍全城!) Partially paralyzed rock-climbing champion Lai Chi-wai (黎志偉) was selected as one of "Ten Outstanding Young People of Hong Kong" in 2014 and praised for his perseverance and hard work¹⁴.

However, "human touch" and the traditional ways of interaction which appeal to Hong Kong's older and very young population are carefully maintained in the form of lectures, discussion groups, etc. The Department's officers give about 1900 talks for 70000 students in schools, colleges and universities and about 420 presentations for 9300 teachers each year¹⁵. Ethical education is an important part of integrated school curriculum and the Commission devotes great attention and substantial resources to reaching out to progressively younger demographics – there are now materials available on moral education for

kindergarten students and their teachers. “Gee Dor Dor” (智多多) cartoon and related activity packages feature cute character on “a fantasy star tour” making “responsible and caring” decisions even when facing difficult choices¹⁶. The materials are designed for the youngest student population receiving pre-primary education at 3-5 years old. For slightly older children there is “ICAC Moral Education E-Book” for junior primary and senior primary classes further expanding on the topics (including fair elections) and offering quizzes, essay themes and further reading¹⁷.

- In 1997 ICAC has established the Club (廉政之友) educating citizens against evils of corruption and encouraging them “to join integrity-promoting activities” while “thoroughly understanding the work of ICAC” and thus assisting in “maintaining clean, fair, stable and prosperous society together”¹⁸. Citizens as young as 12 years old may join, and the Club currently boasts membership of over 1500.
- ICAC maintains a diversified linguistic policy with majority of outreach materials available in three main languages spoken in the city – Mandarin, Cantonese and English. That makes the anti-corruption body approachable by the absolute majority of population.
- Public sentiment regarding its work and general situation with corruption in Hong Kong is closely monitored by ICAC via statistical methods (surveys and research data sets) and the results are interpreted and reflected in policy adjustments in a timely fashion. Besides, the information collected is available “for public use to assist research and studies that may provide useful references on corruption-related issues.” “Under no circumstances shall data sets be made available for commercial purposes” and no data containing respondents’ personal information will be available¹⁹. In order to gain access the interested party applies to ICAC and its Community Relations Department

(CRD) via a simple process with the applicant providing his/her short CV and stating the purposes of proposed research. The applicant bears full responsibility – including possible legal - for the use of ICAC's statistics.

ICAC initiated phone surveys to assess public perceptions of its work and especially community outreach efforts in 1992. Until 2009 it was an annual phone survey, in 2010 the methodology was changed to face-to-face household interviews. The survey target is Hong Kong residents aged between 15 and 64 speaking Cantonese, standard Mandarin or English (usually the goal is a random sample of 1500 persons). The objectives of the latest survey (conducted in 2015) were “to understand public attitude towards corruption and the reasons behind; to identify changing public concerns regarding corruption and the underlying reasons; to gauge public opinion towards the work of the ICAC; and to gauge the behavior and experience of the public in reporting corruption”. The fieldwork was carried out between June 1 and August 31; the sample group constituted 1433 with the response rate of 59.4%²⁰.

Among the most important findings was public intolerance of corruption in Hong Kong: “on a ‘0’ to ‘10’ point scale where ‘0’ represents total intolerance and ‘10’ represents total tolerance, the mean score was 0.6 reflecting a very low tolerance of corruption amongst the public. 82.4% considered corruption in Hong Kong totally intolerable (a score of 0) and 11.6% gave a score between 1 and 3. Only a tiny proportion of respondents (0.9%) gave a score between 7 and 9 while very few respondents (0.3%) considered corruption totally tolerable (a score of 10). The mean score 0.6 was lower than that recorded in 2014 (1.0), and had been the lowest since this question was introduced in 2010”²¹.

Answering the question about reporting corruption, the majority (78.8%) of the respondents indicated that they would report offenses [...] The proportion was similar to that recorded in the previous three years. 14.0% replied that it would depend on circumstances. Only 5.7% of the respondents would not report at all. Among those who were reluctant to report corruption, the major reasons given were “it did not concern me” (39.8%), and “worry of affecting the safety of respondents themselves and their families” (21.7%). The latest result is a bit unexpected considering the well-established procedure for reporting that has been used for years and the common perception of ICAC’s putting the highest premium onto protecting the whistleblowers’ identity.

The survey also includes a few real-life situations and respondents are asked to assess their corruption potential. The situations range from fairly simple one-step exchanges i.e., buyer accepting “commission” from the supplier without the business owner’s knowledge, to more complicated chain of events occurring in the higher echelons of power – i.e., department workers “assisting” their relatives/friends in successfully bidding for the tender by providing insider information, etc. Hong Kong residents appear to be well-versed in different varieties of malfeasance with the absolute majority deeming such situations corrupt.

Perceived pervasiveness of corruption in Hong Kong differed from its residents’ expressed intolerance: 65.5% of the respondents perceived corruption uncommon (same in the past two years). 28.1% of the respondents considered corruption common in Hong Kong, which was a higher percentage than those of 2012 (25.4%) and 2014 (27.6%), but lower than of 2013 (29.1%). The remaining respondents (6.5%) did not express any views. The major reasons for perceiving corruption uncommon in Hong Kong were that “respondents learnt of corruption cases from the media less frequently” (37.4%) and “respondents themselves/their relatives/friends seldom/had not heard about/come

across corruption” (27.0%). Another 9.4% of respondents considered “public awareness of anti-corruption issues had increased”. On the other hand, the main reasons for considering corruption common in Hong Kong included “respondents learnt of many corruption cases from the media” (58.8%), “corruption was observed in the government/senior government officials/civil servants/councilors” (13.9%) and “corruption was still common in the society” (11.7%). The response to the question demonstrates the issue researchers of corruption and other adverse social phenomena face nowadays – has the situation indeed taken a turn for the worse or has the reporting on negative issues gotten much more effective?

The experience of Hong Kong’s independent anti-corruption body is undoubtedly successful. Its sustained effort of over 35 years not only to curb corruption, but to establish the foundations for “clean governance” clearly paid off as reflected both in Hong Kong’s consistent ratings as one of the cleanest places for business, and in its citizens’ attitude towards ICAC – in the 2000 public opinion poll Hong Kong residents named the Commission’s establishment the 6th most important event in the city’s 150-year history. ICAC’s work is not without challenges, however. The abrupt firing in July of 2016 of Rebecca Li Bo-lan (李寶蘭) – highly acclaimed graft-buster with extensive work experience and training stint at the United States’ Federal Bureau of Investigation (FBI) - who for less than a year was the first woman Acting Head of Operations, with ICAC Commissioner Simon Peh Yun-lu (白韞六) taking “sole responsibility” for the firing decision and providing very little further explanation, started a wave of speculation which is detrimental to ICAC’s public image. The possible scenarios discussed by various news outlets focused on plausibility of connection between the firing and possible cases of unethical actions by the city’s former Chief Executive (2005-12) Donald Tsang Yam-kuen (曾蔭權) who had not

disclosed his leasing of the luxury apartment in Shenzhen (深圳) sometime during 2010-12 from a majority investor into a broadcaster seeking Hong Kong's license at the time, which Tsang later approved²². Another ongoing one is of Leung Chun-ying (梁振英) – Hong Kong's current Chief Executive – who allegedly accepted a deal worth HK\$50 million from an Australian engineering firm UGL and received undeclared payments from the company in 2012 and 2013. Chief Executive Office and the Executive Council have not responded to ICAC's requests for information in regards to those payments (maintained as "resignation arrangement" by Executive Leung, allegedly barring him from joining business competitor of the surveying company he worked for prior to becoming government executive) further fueling suspicions of improper dealings and political influence over ICAC. The respectable *South China Morning Post* chronicled the unfolding of the scandal, concurrently pointing out that "Leung had failed to deliver his promise to amend bribery laws and make it a criminal offence for the chief executive to solicit or accept any advantage without the permission of a statutory independent committee". There is also appointing of Maria Tam Wai-chu (譚惠珠) – Hong Kong deputy to the National People's Congress – as the Head of Operations Review Committee which oversees all ICAC investigations, even though members of Legislative Council pointed out Tam's "serious political inclination"²³.

No matter what the investigation and trial are going to reveal, as is always the case with high-level corruption – even the alleged kind – such revelations have a considerable negative effect on the upright public image of a politician or institution, and it will take time and considerable effort to restore it.

3. Taiwan (臺灣): “An Upright Government and Social Integrity” (乾淨政府, 誠信社會)

In Transparency International’s 2014 “Corruption Perception Index” (CPI) Taiwan ranked 35th among 175 countries surveyed with a score of 61 (the same for 3 consecutive years)²⁴. In 2015 Taiwan received a score of 62 (30th place among 168 countries)²⁵. In less widely cited but no less authoritative “Global Competitiveness Index 2014-15” (GCI), Taiwan was 14th among 144 countries. South Korea – which overtook Taiwan in the TI CPI – is only 26th in the GCI²⁶. Corruption certainly gets attention it deserves to not let it spread and become life-threatening to the Taiwanese society. This is reinforced by the combination of institutional structure and consistent education and community outreach efforts. The latter are an established part of civics education offered by Taiwan’s school system.

Taiwan’s unique 5-power political system designed by Dr Sun Yat-sen (孫中山 / 孫逸仙) includes a supervisory branch that provides an institutional advantage when it comes to maintaining clean government. The tumultuous events of 1940-50s, however, brought in a prolonged period of Kuomintang (KMT, 中國國民黨) single-party rule and martial law. The less-than-stellar ethical reputation KMT brought from mainland China did not improve during the martial law period of 1949-87, when the opaque party-state relationship solidified and provided fertile ground for corruption. The period of “black gold” politics of the 1990s was marked by criminal groups’ attempts at gaining legitimacy by entering politics and resorting to violence, intimidation and bribery to secure their participation in the political process. During the 1950-70s these same criminal groups were co-opted by the KMT into its state-building policies for practical purposes – i.e., keeping the rural areas complacent with the new policies. This process left a lasting imprint and

gradually made citizens cynical of the ruling party's half-hearted attempts to rein in undue influence and professed commitment to cleaning up politics. This suspicion of sincerity of the party in power to keep its workings transparent remains a powerful obstacle in the way of anti-corruption work.

After abolishing martial law in 1987, the country set on a path towards democratization, political openness, and government accountability. The watershed moment in recognizing corruption as a threat to the country's economic development and societal modernization arrived with the grassroots campaign "A Million Voices Against Corruption" (百萬人民反貪腐倒扁運動), launched in August of 2006 by Shih Ming-teh (施明德) – the famous politician and dissident who spent 25 years in prison during the Kuomintang's rule. The campaign was a result of public discontent over unfulfilled promises of reform and ending of "black gold" involvement in politics made by Chen Shui-bian (陳水扁) – the opposition politician elected president in 2000. Fast forward to 2008, Chen – Taiwan's former president by then – and members of his family were sent to prison for money laundering and misuse of public funds. Since then, the issue of corruption has entered the Taiwanese political discourse.

What favorably distinguishes Taiwan's experience from that of other countries undergoing systemic changes, is that there already was a solid legal foundation for anti-corruption steps to be taken immediately at the time the public was asking for tougher measures. This means the government did not have to scramble for solutions or resign itself to politically overcharged campaigning that tends to operate outside the legal limits and very quickly devolves into settling of political accounts (not to mention the absence of transparency and accountability). By the time the issue of corruption grabbed the headlines, four "Sunshine Laws" had been already passed to regulate corruption-prone areas: "The

Act on Asset Declarations by Public Functionaries” (1993), “The Act on the Recusal of Public Functionaries Due to Conflict of Interest” (2000), “Political Donations Law” (2004) and “Law on Lobbying” (2007). The Control Yuan (CY, 監察院) – the supervisory branch of Taiwan’s political system – with its Anti-corruption Committee became the designated implementing body for the “Sunshine Laws”.

According to the Constitution, the Control Yuan is an oversight body which also has the power to impeach or censure any “public functionary from the Central government or a local government” including the President and the Vice-President, and audit government bodies. It comprises 29 members who are nominated by the President (which is widely considered an infringement on CY independence) and approved by the Legislative Yuan (立法院, law-making body)²⁷. Its members “shall be beyond party affiliation and independently exercise their powers and discharge their responsibilities in accordance with the law”²⁸. This is the key provision considering active party politics in Taiwan. Even with that stipulation in place, Control Yuan’s investigations have at times been considered partial and biased, both in the view of members of the establishment and the general public. In 2004, partisan interests in the KMT-dominated legislature blocked President Chen Shui-bian’s (Democratic Progressive Party / 民主進步黨) CY nominations, rendering it non-functional until 2008. This dealt a heavy blow to its popular image, and it is still grappling with the aftereffects. Historically, CY has been functioning as an ombudsman – providing one-stop service for citizens unhappy with the government. There are carefully laid out straightforward procedures for reporting possible corruption and unethical behavior. Citizens may report via mail, in person or online with an option of keeping anonymity. Public opinion polls clearly confirm the indispensability of CY position as a first line of defense against government corruption.

Among the notable investigations of late that demonstrate the reach of supervisory power is CY's probe into KMT legislator Chang Ching-chung (張慶忠)'s wealth. He gained notoriety after the Sunflower Movement (太陽花學運) of 2014 which singled him out as responsible for sending the cross-strait service pact to the Legislative Yuan after all of 30 seconds scrutiny by the screening committee, and he was unflatteringly called one of the "four major bandits" (四大寇). The probe found out that Chang has 143 properties to his name scattered around the country and also possesses considerable wealth – NT\$388 million (US\$12.6 million) in stock and bonds, NT\$20.8 million in savings and NT\$9.1 million worth of precious possessions including two golf club passes (one in 福州 / Fuzhou, China)²⁹. The Control Yuan played an important role in investigating the 2014 food quality scandals that sent to jail executives of the Ting Hsin International Group (頂新集團) and its subsidiaries.

The CY outreach initiatives focus on upright citizenship and clean government building, both of which have a direct bearing on creating corruption zero-tolerance environment. CY is not the only institution carrying out anti-corruption education efforts. The relatively new addition to the institutional field is the Agency Against Corruption (廉政署). In April of 2011, then President Ma Ying-jeou (馬英九) announced amendments to the "Law on Establishment of the Agency Against Corruption of the Ministry of Justice" (法務部廉政署組織法) and "The Law on the Organization of the Ministry of Justice" (法務部組織法) refocusing anti-corruption work in the new "three-prong" direction of "resisting, fighting and eliminating corruption" (防貪、反貪、肅貪) – and we can refer to Hong Kong's experience here. This was a programmatic shift that widened the scope of anti-corruption activity at the same time clearly striving to avoid a "blanket" approach

by delineating the areas of concern. The goal of refocusing was “to strengthen the sophisticated process of investigating [corruption], to increase the level of convictions [in corruption-related cases] and thus to raise the effectiveness of efforts to eliminate corruption”³⁰. The Agency Against Corruption (AAC) started functioning on July 20, 2011, replacing the former Government Ethics Department which also reported to the Ministry of Justice. On its website, the Agency states that its main goal is to “create an integrated mechanism for fulfilling the tasks of resisting, fighting and eliminating corruption” and also overseeing the government ethics organs, maintaining internal control, establishing the structure of risk assessment and business risk audits. In practice the AAC is charged with “formulating corruption-control policy and fulfilling the functions of anti-corruption education, corruption prevention and corruption investigation”.

Education in Taiwan has come “to be one of the most influential avenues for nation building and economic development. Drawing on the influences of Japanese educational practices and ideals during the colonization period, Chinese culture, and Confucian traditions from mainland China” (Chou and Ching, 2012: 4), Taiwan’s education system has been successfully adapting to changes of times – from moving to open democratic society away from Kuomintang’s single-party rule, to assisting students today to acclimate to globalization, volatile labor markets, etc. “The Education Basic Law” approved by the Legislative Yuan on June 4, 1999, was accepted as the country’s basic principle of education policy. It contains 17 articles and states that “education is for the people and is intended to build modern citizens with a national consciousness and worldview” (*ibid.*: 32-33). Ever since abolishing martial law and ending single-party rule Taiwan has been actively introducing a “clean government” theme to school curricula including those for the youngest children: engaging characters feature in cartoons

that explain how elections work, tricks unscrupulous candidates might use to disguise their true colors, and the careful assessment of candidates and their promises that every citizen should do before s/he casts the ballot³¹. Since 2009, local governments have been holding annual essay and drawing contests on ethical governance and civic duty themes among middle and high school students. It will take some time for the results to clearly show, but students' active involvement and concern over the country's political life, which was once again demonstrated by the Sunflower Movement of 2014, promises great potential for the anti-corruption and clean government efforts.

4. People's Republic of China (中華人民共和國): “Power Must Be Locked in a Cage” (把權力關進制度的籠子裡)

News about high-positioned casualties (“tigers” and “flies”) of China's latest anti-corruption campaign initiated by President Xi Jinping (習近平) in 2012 comes regularly and continues to impress with the campaign's reach into high echelons of power and important sectors of the economy, and often with the rumored amounts of money involved. Despite the proclaimed turn to “institutionalization” and “systematization” of anti-corruption work, the “Xi Campaign” appears to have just as many narrow political reasons at play as previous clean-up initiatives. Since 2012 when Xi Jinping assumed the post of Secretary General, China's position in Transparency International has not significantly changed – in 2015 it ranked 83rd out of 168 countries with a score of 37. In 2012-2014 the score fluctuated from 39 to 40 to 36 accordingly³².

The most notable document outlining new approaches to the corruption problem and ways to control it – “Working Plan for Establishing Sound System for All-Around Punishment and Prevention

of Corruption for 2013-17” (建立健全懲治和預防腐敗體系 2013—2017 年工作規劃) passed by the Central Committee laid down the foundation for anti-corruption work in China for the period from Communist Party of China (CPC, 中國共產黨) XVIII to XIX Congresses. Besides clear determination to move away from campaigns toward sustained policy of punishing offences (“five years of unremitting efforts in curbing the spread of corruption”), the Plan for the first time designates China’s society as an equal partner in building clean and honest government and proclaims anti-corruption fight and building a clean government shared responsibility of the party and citizens. It is not the first time the Communist Party appeals to the wider groups of population – including non-affiliated politically³³ – but never before did it designate the society an equal partner in solving the hard task of controlling corruption and perfecting the work style of government organs, thus – at least in theory – opening its workings to outside scrutiny and critique, considering diverse opinions and widening the efforts to include (still tentatively) such long-term policies as civics and ethics education. The Plan does reference “the three represents” (三個代表) theory as a “guiding force” in anti-corruption work together with Deng Xiaoping theory (鄧小平理論) and theory of scientific development which solidifies its leading position in this area.

In institutional regard the Plan demands “strengthening of administrative control, intensifying of oversight over government departments tasked with control functions; increasing of auditing control ... more active use of administrative punishments”³⁴. Also required is strengthening of democratic supervision, attention to opinions, feedback and critique from the National People’s Consultative Conferences (中國人民政治協商會議), democratic parties, Association of Industry and Commerce and non-party affiliated people. Improving work ethics of the cadres who will be carrying out the outlined tasks has to become a

priority in order to reach the goal of “getting results that will be relatively satisfactory to the people within 5-year period”.

The Program does mention in a very general way the need to educate citizens and involve them in anti-corruption work, especially on the preventative side – the system of reporting corrupt offences has been in place since early 1990s with People’s Procuratorates (人民檢察院) at all levels responsible for it. In contrast to Hong Kong and Taiwan, China has limited experience of citizens’ participation in anti-corruption work. Historically, CPC as a ruling party assigned great importance to propaganda considering it a crucially important tool for mobilizing the public for their political goals, but it was always a one-way street with the population passively absorbing the latest policies and demonstrating unquestioning support when needed. The same pattern has always applied for party-government policies on corruption and “upright work style”. Anti-corruption campaigns of the 1950s onwards with their “mass line” and “mass participation” did not involve any expressing of opinions or providing feedback to organizers. While political education has been part of the curriculum since establishing of the People’s Republic, educating wide population on virtues of corruption-free government and inculcating ethical values of responsible citizenship have been absent. The situation has been slowly changing lately, with the first initiatives dating back to early 2000s. Chinese researchers connect that with China’s signing and ratifying of the 2003 UN “Convention Against Corruption” in 2006. Next year in Beijing (北京), Tianjin (天津), Shanghai (上海) and ten more provincial-level cities pilot programs on education on integrity values have started in elementary and middle schools and institutions of higher learning in accordance with the Ministry of Education’s “Opinion on All-Encompassing Development of Integrity Values’ Education in Elementary and Middle Schools and Universities” (關於在大中小學全面開展廉潔教育的意

見)。This proved to be an uphill struggle. First, there were issues with fitting one more thing into already packed curricula adding hours to already “overstudied” schoolchildren and students with the teachers being skeptical about the new initiative.

The article in “Theory and Practice of Contemporary Education” by the researchers from Hunan Industrial University’s Department of Ideological and Political Teaching cites examples of teachers believing that teaching integrity values was a prerogative of Central Commission of Discipline Inspection (CCDI, 中央紀律檢查委員會) and the Ministry of Control and refusing additional workload, and the students – surprisingly – being wary of the subject of study (“we have not encountered corruption firsthand yet so there is really no need to study it” – the academics called it “the 26 phenomenon” referring to the age young people generally finish their education and join the workforce and “real life” with all its dark sides). The article pinpoints the areas of challenges (“dead ends”, as they put it) encountered at the initial stage of implementing the integrity and anti-corruption teaching programs (反腐倡廉教育) – psychological or mental when both students and teachers are skeptical and cynical about chances of anti-corruption efforts to work; contents’ challenge: researchers point out that – at the start of the pilot programs in 2006-08 – the contents of the moral and ethical upbringing program did not yet seamlessly “tie with students’ general ideological and political education”. The materials from Ministry of Education, Communist Youth League and Central Discipline Inspection Commission “did not address all issues [related to corruption and clean government-building efforts in their entirety]”. There were also questions of teaching methodology and funding both for curriculum updating and teachers’ training³⁵. The discussion dates back to 2013; the author was not able to find more up-to-date information on the matter, hence concluding that the initiative is currently at the back burner.

Utilizing traditional media channels – television, radio and newspapers – for disseminating information on the current approach to corruption and, in a more limited way, reporting on the cases usually after punishments have been meted to the guilty parties, has been a well-established practice in PRC since the mid-1980s. Miao Di (苗棣) – a professor of television arts at the Communication University of China (中國傳媒大學) – points out that at present TV has the biggest audience in China reaching both in urban and rural areas. Movies and television multi-episode series describing virtues of upright government workers and their resistance to temptations brought on by modernization have been produced on a regular basis and may be regarded as a useful tool in ethics education. Historical dramas depicting fall from grace of corrupt officials or the whole dynasties brought down by greed are also popular – allusions with modern times may easily be drawn without getting too close for comfort. Qian Gang and David Bandurski point out at market forces in China’s media as catalyst of change: “media commercialization, developing norms of journalistic professionalism, and the growth of new media are combining to erode the CCP’s monopoly over the public agenda and to open a limited public sphere ... Despite the fact that the ... media remain formally a part of the party-state apparatus, China’s leaders are beginning to treat the media and Internet as the voice of the public and to respond to it accordingly. In other words, the CCP seeks a power-maximizing balance between censorship and propaganda on the one hand and responsiveness on the other”³⁶. As we can see, there is still very little feedback from the society under such circumstances. However, as many cases testify, regular citizens are discovering the media potential as an effective way to bring redress against corrupt local cadres after their grievances are made public by a TV channel or a newspaper.

The trend setter in semi-openly talking about new challenges brought on with reforms was *River Elegy* (河殤 / *He Shang*) produced in 1988 – a China Central Television (CCTV, 中國中央電視臺) mini-series on traditional Chinese culture and its eventual demise due to the inability to stay relevant to changing times and turning to obstacle on the way to the country's modernization. The viewers and critics also quickly saw parallels with Chinese socialism that, in their opinion, failed to adapt to times and thus became a roadblock on China's way to prosperity and social justice. The series caused immense controversy in China's intellectual circles and – allegedly – among top party officials with a few predicting that issues raised by *River Elegy* might cause unrest among China's students. It is impossible to say how big a role the series played in precipitating the tragic Tiananmen (天安門) events of 1989 but a few members of the crew who worked on the drama were arrested in its aftermath and both scriptwriters – Su Xiaokang (蘇曉康) and Wang Luxiang (王魯湘) – fled to US. At present, select episodes are available online.

Since *River Elegy* has aired, TV has become the primary source of education on anti-corruption matters for the general public. The propaganda focuses primarily on the omnipresence of the Party discipline organs and inevitability of punishment for corrupt officials. In 2015 the State Bureau for Letters and Calls (國家信訪局) announced the release of the newest series *The Secretary of the Petitioning Bureau* (信訪局長) which tells the story of an upright party member and government inspector played by Zhang Huizhong (張惠中) who had to deal with crooked cadres someplace far from Beijing or any other thriving modern city. The first episode opens with a dramatic scene of factory workers organizing a sit-in on railroad tracks because of long salary arrears, and at first deeply mistrustful of the “outsider” – petitioning inspector. It takes some effort on his part and referring to his

30-year tenure as a party member to convince the workers. In press release the Bureau stressed the importance and relevance of the petitioning tradition established centuries ago when ordinary folks took their grievances against local functionaries “straight to the top”. In the current circumstances petitioning remains an important channel of feedback from the general population about the issue of corruption albeit in an *ad hoc* and not in the established institutional sort of way.

5. Conclusion

The urgency to introduce educational measures to prevent the entrenchment of a “culture of corruption” was once again highlighted by the survey “Asia Pacific Youth: Integrity in Crisis” carried out by Transparency International (TI) in 2014 in Fiji, Indonesia, South Korea and Sri Lanka to gauge how young people (aged 15 to 30 years) understood and possibly experienced corruption. Paradoxically, despite corruption featuring as the most serious issue of public policy for the majority of ordinary citizens worldwide, the survey results revealed a crisis in values: 72% of those surveyed said they would engage in a corrupt exchange for personal gain such as securing access to a desirable job or school outside established channels, and 20% (one in five!) considered it acceptable to lie and cheat in order to get rich. TI’s Asia Pacific Director Srirak Plipat is calling for urgent action to rectify the situation, one in which the “majority of the young people surveyed know that corruption is wrong, have high standards for integrity and aspire to live in just societies ... and despite this, a very worrying number of them believe that in order to succeed in life they will have to compromise their values and conform to the current status quo”³⁷. The report stressed that a high percentage of respondents had recently encountered corruption personally and their responses were likely a reaction. TI

suggested that respective governments develop anti-corruption curricula and include ethics education at all levels.

The three polities analyzed in the present article all accumulated substantial experience in curbing their differing versions of corruption. They all developed solid institutional base of dealing with the issue; however, their citizens' role in anti-corruption work differs to a great degree. While Hong Kong's ICAC establishment required political will in overcoming conflicting forces, the citizens' feedback and oversight formed the bedrock of the new institution's work. Taiwan's political system has an advantage of built-in supervisory power that – despite all its real and perceived limitations – provides ombudsman functions and in public perception remains the keeper of the government morale and the point of contact (and complaints) in regard to government's wrongdoings. The anti-corruption work in mainland China has been led by the Communist Party ever since it started in earnest in the early 1980s and this is not likely to change. The present arrangement does not allow much room for citizens' control, but certainly provides ways for the public to report corruption. Lately, it has been actively looking for ways to foster corruption-intolerant environment via public education and propaganda efforts.

Historically education has occupied a tremendously important position in all three societies analyzed here. Present-day systemic changes and challenges put a high premium on educational systems to enable young generations to successfully deal with new challenges, corruption being one of them. While institutional approach (with solid legal foundation) remains the only way of effectively curbing corruption and providing the support system for upright governance, it is the moral qualities of people who staff the government structures that steadily gain in importance. The ever more complicated and elusive nature of corruption makes it doubly challenging to eradicate it by legal means

alone. That shifts the center of attention to the preventative side and ethical and upright citizenship education that forms its centerpiece. “Do the right thing”, “separate public and private duties”, “uphold honesty and integrity” – these are the words workers of both public and private sector hear more and more often and these are the words they should live by.

Notes

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3. *Ibid.*
4. More on Asian culture and its role in shaping up politics and policies, see: Lucian W. Pye (1985). *Asian Power and politics: The cultural dimensions of authority*. Cambridge, Mass.: Harvard University Press.
5. Daniel Kaufmann (2005). Myths and realities of governance and corruption. Chapter 2.1 in: *Global Competitiveness Report 2005-06*. World Economic Forum, October 2005. pp. 81-98. <http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/2-1_Governance_and_Corruption_Kaufmann.pdf> (accessed on 12.10.14).
6. The PRC Supreme People’s Procuratorate (SPP, 最高人民檢察院) published a detailed critique on the “phenomenon of strict punishment for accepting bribes, light punishment for giving bribes” (重受賄輕行賄現象 / zhong shouhui qing xinghui xianxiang) <http://www.spp.gov.cn/zdgz/201506/t20150611_99119.shtml> (in Chinese) (accessed on 20.10.16).
7. Daniel Kaufmann (2005). Myths and realities of governance and corruption. Chapter 2.1 in: *Global Competitiveness Report 2005-06*. World Economic Forum, October 2005. pp. 81-98. <http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/2-1_Governance_and_Corruption_Kaufmann.pdf> (accessed on 12.10.14).

8. Or, more poetically, “a crooked stick will have a crooked shadow”.
9. “The Misdemeanors Punishment Ordinance” of 1898 became Hong Kong’s very first own provision against corruption; before then Britain’s common law applied. In 1948 “The Prevention of Corruption Ordinance” was enacted. And “Prevention of Bribery Ordinance” of 1971 which incorporated experience from other countries laid down a foundation of corruption prevention in the city.
10. Peter Godber was a Chief Superintendent of the Royal Hong Kong Police. Before his retirement in 1973 he amassed over 4.3 million HKD of unexplained wealth. He fled to Britain when investigation started, but was apprehended and extradited back to Hong Kong in 1974 where he served prison sentence for corruption. His case is considered a tipping point in anti-corruption fight in Hong Kong that led to the establishment of ICAC.
11. “Sir Jack Cater” (obituary), *The Telegraph* (UK), 20th April 2006. <<http://www.telegraph.co.uk/news/obituaries/1516154/Sir-Jack-Cater.html>> (accessed on 22.09.2016).
12. <http://www.icac.org.hk/en/acr/sa/rscs/index.html> (accessed on 22.09.2016).
13. ICAC Channel (廉政頻道). <<http://www.ichannel.icac.hk/>>
14. 《有一種堅持：香港運動員訪問系列》(1) 亞洲攀石王 黎志偉 <<http://www.ichannel.icac.hk/tc/categorylist.aspx?video=1171>> ICAC Channel (廉政頻道) (in Chinese) (accessed on 23.09.16).
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The Rights of the Wronged: Norms of Nuclearism, the Polygon and the Making of Waste-life

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Abstract

On 16th December 1991 Kazakhstan inherited “1216 nuclear warheads for intercontinental ballistic missiles and heavy bombers” (Werner and Purvis-Roberts, 2006). Moreover, Kazakhstan was also presumed to have significant amounts of enriched weapon-grade uranium enough for at least “two dozen warheads” (*ibid.*). However on 23rd May 1992 Kazakhstan signed the Lisbon Protocol to the Strategic Arms Reduction Treaty (START), gave up its “nuclear ambitions” and agreed “to become a non-nuclear weapon state” (Ayazbekov, 2014). Why did Kazakhstan give up nuclear weapons? This can be adequately answered only by linking the issue with the high material, human and environmental costs of hosting WMDs within the state territory. This paper examines the case of ‘waste-lives’ (Bauman, 2004) related to the Semipalatinsk Polygon in Kazakhstan. The Polygon experienced 467 nuclear tests during the period of 1949-1989 “without regard for the health and safety of those living and working near the test site” (Loretz, 2015). The issues of “human” exclusion of the periphery of the Cold War IR and its effects

after the end of the Cold War are at the core of this case study. The structure of the international system (Waltz, 1979) and “nuclear deterrence” (Brodie, 1958) that explain “Long Peace” during the Cold War came at the cost of well-being of the population that supposed to benefit out of the absence of warfare. Geopolitical perspective of the Cold War views historical events as anonymous or mechanical, except those that involved prominent leaders and disregards the “human” aspects of military industrial complex, particularly its biopolitical impact on the life-system of population. The fall of the USSR and “triumph of liberalism” helped to politicise and recognise the long-term effects of radiation contamination. However, this revelation did not resolve the issues as persistent problems being framed as a legacy of the “communist” Soviet Union that people have to accept; that is, without “institutional” or “individual” accountability, relocation, appropriate compensation and clearing the sites from contamination. What are the implications of this case for the future of “nuclearism” debate now with China’s rise in the region?

Keywords: *nuclearism, Cold War geopolitics, biopolitics of wasted lives, Semipalatinsk polygon, China’s rise*

1. Introduction

In 1988, one of the Soviet foreign policy advisers discussing the US-Soviet relations stated: “We are going to do a terrible thing to you – we are going to deprive you of an enemy.” (Onea, 2013: 1-2) The breakup of the Soviet Union brought “considerable strategic difficulties” to the United States that “left without a superpower rival to compete against” (*ibid.*). Until the breakup of the Soviet Union, the containment policy of the United States had already worked for more than forty years with the

identifiable objective, scope and limitations. The Cold War rivalry was “more predictable, even if more dangerous” (*ibid.*) on the military, economic and political/ideological levels, which allowed for the opinion that a balance of power between the US and the Soviet Union was a necessary specific evil that supported a general world peace in the anarchic conditions. However with the end of the Cold War, the purpose and scope of the new grand strategy and foreign policy for the US to replace the containment and balance of power became less identifiable and more questionable, “frequently described as a fruitless quest” (*ibid.*). George H.W. Bush in his keynote speech argued that the liberal Western states such as the United States now can move “beyond a grand strategy”, which was based on the idea of containment of the Soviet Union (Kennan, 1947), to ensure “international peace and stability, and a dynamic free-market system generating prosperity and progress on a global scale”. (US Foreign Policy Secretariat, 2009) According to Joseph Nye, the “grand rhetoric” of President Bush about a “New World Order” was similar to the Wilson’s Fourteen Points or Roosevelt’s Four Freedoms, expressing “larger goals important for public support”, particularly before “a liberal democratic state goes to war”. This “New World Order” was President Bush’s pledge for the “peaceful settlement of disputes, solidarity against aggression, reduced and controlled arsenals and just treatment of all people”. (Nye, 1992)

On 25th December 1991, the United States was the first state that recognized Kazakhstan as an independent sovereign state after the breakup of the Soviet Union. The United States established diplomatic relations by opening its embassy in Almaty in January 1992, just a few weeks after the official recognition. For the United States and Kazakhstan, the “cooperation in security and nuclear non-proliferation is a cornerstone of the relationship” (US Department of State secretariat, 2016), where Kazakhstan was an active participant of the Nuclear

Security Summits in 2010, 2012 and 2014. In 1993 Kazakhstan gave up Soviet nuclear weapons arsenal located on its territory and closed the Semipalatinsk (Семипалатинск) Nuclear Weapons Testing Polygon (*ibid.*). This initiated a number of security-related activities for cooperation between the United States and Kazakhstan:

The United States assisted Kazakhstan in the removal of nuclear warheads, weapons-grade materials, and their supporting infrastructure. In 1994, Kazakhstan transferred more than a half-ton of weapons-grade uranium to the United States. In 1995 Kazakhstan removed its last nuclear warheads and, with U.S. assistance, completed the sealing of 181 nuclear test tunnels at the STS in May 2000. In the following decade, the United States and Kazakhstan worked together to seal 40 more nuclear test tunnels at the STS. Kazakhstan signed the Conventional Armed Forces in Europe Treaty (1992), the START Treaty (1992), the nuclear Non-Proliferation Treaty (1993), the Chemical Weapons Convention, and the Comprehensive Test Ban Treaty (2001). In 2015, the government concluded an agreement with the International Atomic Energy Agency to host a low-enriched uranium bank in Kazakhstan. Under the Cooperative Threat Reduction program, the United States spent \$240 million to assist Kazakhstan in eliminating weapons of mass destruction and weapons of mass destruction-related infrastructure.

(US Department of State secretariat, 2016)

Thus, at the time of its independence on 16th December 1991, Kazakhstan inherited not only industrial sites, infrastructure, processes, and outputs associated with the military industrial complex of Soviet Union, but also a significant part of the Soviet Union's nuclear weapons arsenal. The scale of the Soviet military industrial complex presence in

Kazakhstan can be viewed in the map of Central Asia produced by Philippe Rekacewicz (Rekacewicz, 2006) for the UNEP/GRID-Arendal (see Figure 1). The actual size of the large Soviet nuclear arsenal is uncertain, but the remnant in Kazakhstan may be estimated at “1216 nuclear warheads for intercontinental ballistic missiles and heavy bombers” (Werner and Purvis-Roberts, 2006: 467) or “108 SS-18 intercontinental ballistic missiles (ICBMs) and 1,410 warheads” (Ayazbekov, 2014: 149). Moreover, Kazakhstan was also presumed to have had significant amounts of enriched weapon-grade uranium, which would be enough for at least “two dozen warheads” or more (Werner and Purvis-Roberts, 2006: 467). However on 23rd May 1992, Kazakhstan signed the Lisbon Protocol to the Strategic Arms Reduction Treaty (START), through which the country decided to “give up its nuclear ambitions and agree to become a non-nuclear weapon state” (Ayazbekov, 2014). This premise proved to be economically valuable for a present time as mining and processing of uranium in independent Kazakhstan has become a growing industry, which by 2009 overtook Canada and Australia and had become the largest producer of uranium in the world for nuclear power plants use (World Nuclear Association, 2015).

Nevertheless, this denuclearization of the military of Kazakhstan looked like an “anomaly” of rational decision-making from the perspective of “structural realism” (Waltz, 1979), which is the orthodox theoretical perspective in international relations at the time of negotiations and decision-making in early 1990s. The conventional view of 1990s realism (Buzan, Jones and Little, 1993) is that nuclear weapons could have heightened a sense of safety for Kazakhstan, which is located in the middle of the Eurasia between the major nuclear powers in Continental Asia, Russia and China. An “alternative nuclear power” such as Kazakhstan might have been able to modulate the geopolitical

ambitions of the United States and Russia or China, and thereby reduce existential threats through the realist principle of “nuclear deterrence” (Brodie, 1958) that is supposed to reduce the probability of war or at least mitigate the consequences of its possible failure (Snyder, 1961).

An alternative rationalization of the denuclearization is the “nukes for oil” hypothesis. Following an agreement with the government of Kazakhstan on 19th May 1992, the US-based Chevron Corporation announced on 16th October 1992 a deal with the government of Kazakhstan to develop the Tengiz oil field that had estimated reserves of 35 billion barrels of petroleum. Kazakhstan would receive US\$10 billion in investments from Chevron to allow the company to gain an annual profit of US\$5 billion for 40 years. Nearly a year later, on 29th July 1993, the company Enron Oil & Gas Kazakhstan Ltd. was incorporated in Delaware, USA (and the same company was incorporated in the Cayman Islands on 18th August 1994). These petroleum deals were made in the context of nuclear disarmament deals made with the US government: 29th April 1992, 20th May 1992, and 13th December 1993. Arguably, the issue of US support for Kazakhstan sovereignty after the collapse of the Soviet Union is inherently linked to both access to the Tengiz field and nuclear disarmament.

Meetings between US and Kazakhstani officials immediately after the declaration of Kazakhstan’s independence on 16th December 1991 referred to both petroleum and nuclear issues (KEI Secretariat, 2007). This link was openly confirmed by then US President George H.W. Bush in a speech during a state visit to the US of Kazakhstan’s President Nursultan Nazarbayev on 19th May 1992. US support for Kazakhstan’s independence is linked to “president Nazarbayev’s commitment that Kazakhstan will join the non-proliferation treaty as a non-nuclear weapons state and that it will adhere to the START (Strategic Arms Reduction) treaty” as well as to increased trade by US businesses in

Kazakhstan, primarily through ‘the landmark agreement with Chevron corporation’ (Bush, 1992). Kazakhstan appeared to benefit from the deal, as the value of its annual exports to the US which was virtually zero in 1992 rose to about US\$434.4 million in 2015. The value of US exports to Kazakhstan in 2015, however, was significantly larger at US\$1.484 billion and shows that the US policy of denuclearization-plus-free trade promotion has caused a significant trade deficit for Kazakhstan (UN COMTRADE Secretariat, 2017), which is compounded by significantly less revenues from the petroleum operations. Thus, a rationalization that US policy in Kazakhstan has reduced the risk of nuclear conflict cannot adequately explain why the US government has not tried harder to have “fairer” trade with Kazakhstan. However, it may indicate that the government of Kazakhstan may have chosen the unfavourable conditions rather than risk being a target of active, and possibly military, US-led intervention and aggression.

However, the question of “Why did Kazakhstan give up nuclear weapons?” can be adequately answered only by linking the issue with the high material and human costs of hosting and developing these weapons within the territory of Kazakhstan. The denuclearization-free trade policy of the US towards Kazakhstan focuses only on the results of nuclear conflict and not on the high material and human costs of hosting and developing these weapons within the territory of Kazakhstan. This paper will examine the case of “wasted lives” (Zygmunt Bauman, *Wasted lives: Modernity and its outcasts*, 2004) related to the Semipalatinsk nuclear testing polygon and the Soviet legacy of military industrial complex in Kazakhstan. The Semipalatinsk Polygon experienced 467 nuclear tests during the period of 1949-1989 “without regard for the health and safety of those living and working near the test site” (Loretz, 2015: 24). The Nevada-Semipalatinsk Movement against nuclear weapon testing and its impact on local people and environment

Figure 1 Map of Radioactive, Chemical and Biological Hazards in Central Asia



Source: Philippe Rekacewicz (cartographer) (2006). *Radioactive, chemical and biological hazards in Central Asia*. UNEP/GRID-Arendal (credit following usage instruction at webpage <https://www.grida.no/resources/7390>).

publicised the issue of the Polygon and later institutionalised this information into a form of “eco-nationalism”. This ideal was used by the independence-seeking population in Kazakhstan as the reason to give up the nuclear arsenal in exchange for the gaining of a “moral right” of non-proliferation and for inclusion into the global system of economics and diplomacy. The establishment of “sovereign” governance in Kazakhstan did not, however, resolve the issue of neutralizing the “wastes” of the Soviet nuclear proliferation or the other non-nuclear human and environmental crises of the Soviet legacy, such as Aral Sea degradation or toxic pollution from the use of Baikonur space station. The present condition of the government of Kazakhstan, which is characterized by an ineffective Soviet-style bureaucracy, problematic transition of governance responsibilities, and limited industrial and socio-economic initiatives, may not be able to unilaterally reduce the severity of “human” cost and “environmental” degradation of the “Long Peace” legacy without external help.

Many authors of international relations questioned and problematised the preservation of the “Long Peace” between the Soviet Union and the United States during the Cold War, even if the conventional view is that the prevention of a nuclear Armageddon benefitted humankind as a whole. For example, Brodie explained it through the theory of “nuclear deterrence” (Brodie, 1958); Waltz considered it due to the structure of the international system, which allowed the possession of weapons of mass destructions such as nuclear weapons by major powers such as the United States and Soviet Union to be complimented by non-nuclear and non-military means of international power and influence (Waltz, 1979). Van Evera (Van Evera, 1990/1991), Gaddis (Gaddis, 1991) and Fukuyama (Fukuyama, 1989) considered that the rise of civil society, democratisation and the eventual triumph of institutionalised liberalism over communism in Eastern

Europe was at the core of the “Long Peace”, which eventually caused the fall of the Soviet Union. However, these explanations of the Cold War and the fall of the Soviet Union are charged to favour a geopolitical perspective from which historical events are seen as anonymous or mechanical, except those that involved prominent leaders and personalities. These explanations disregard the “human” aspects of military industrial complex and its biopolitical impact of this governmentality (Foucault, 2008) on the life-system of local population in the Soviet Union and other locations where American, British and French nuclear hazards of the military industrial complex were located in the Cold War. The fall of the Soviet Union and “triumph of liberalism” helped to recognise and publicise the long-term effects of radiation contamination on the civil population, which resulted in independent Kazakhstan giving up the nuclear weapons. However, this revelation did not resolve the issue as post-Soviet authorities in Kazakhstan and elsewhere reframed the set of persistent problems as a legacy of the “communist” Soviet Union that people need to accept; that is, without relocation, appropriate compensation or clearing the sites from contamination. What are the implications of this localised case for the “human rights” and “nuclearism” debate (Booth, 1999a)?

The issues of “human” exclusion of the periphery of the Cold War international relations (IR) and its eventual effects after the end of the Cold War are at the core of this case study. The realist concepts of “balance of power” and particularly, “nuclear deterrence” that explain “Long Peace” during the Cold War came at the cost of well-being of the population that supposed to benefit out of the absence of warfare. The Soviet government did not relocate the people living near the nuclear testing sites and continuously observed their health and their environment to collect and analyse the data on the effects of radiation on people, as well as on animals and plants (Carlsen, Peterson, Ulsh,

Werner, Purvis and Sharber, 2001).

The conventional view is that the suffering and death of “rural Kazakhs” who lived near the Polygon was an acceptable “collateral damage” because of their strategic, military and economic insignificance or irrelevance (Zygmunt Bauman, “To each waste its dumping site”, 2007: 185). Zygmunt Bauman denotes the use of the term “collateral damage” as “specifically invented to denote the human waste” in the modern globalizing world of production with its efficiency and effectiveness to achieve particular “rational” goals (*ibid.*). Moreover, the persistence of ethno-nationalist identity (as opposite to modern “Soviet identity”) within these communities contributed to the view of the Soviet government that these people were considered “less important”, and thus “waste-life”, of the Soviet military industrial complex.

2. The Beginning: Nuclear Deterrence and Cold War Geopolitics

The Cold War was a phenomenon of the 20th century and was “fought” along distinctly geopolitical and biopolitical lines. The concept of “geopolitics” in its early 20th-century construction by Rudolf Kjellen and Fredrick Ratzel was closely linked with the idea of a state “being considered as a super-organism” requiring “living space” rather than with the idea of a state as an entity of “legalistic interpretation” defined by its constitution, claims of sovereignty, borders and membership in international organizations (Dodds, 2007: 24-25, 30). Thus, a state is conceptualised using “biological metaphors” as “one body” with many functions and needs that to ensure its survival in particular geographic space (Somit, 1972). The idea of geographic “space” (“*raum*”) or “living space” (“*lebensraum*”) in this “organic theory” of the states are important to explain the related governing qualities and possible political or military behaviours of these “state-organisms” towards each other

(Hagan, 1942). Furthermore, this notion of “state” had been linked to “human” biopolitical aspects of population that need to be governed and improved. Therefore, such issues as “birth, death, growth, decay, youth, age, sickness and health” were crucial aspects of state’s governmentality and at the same time social Darwinist “survivability” among other states of the world (Somit, 1972: 209-210). This regulatory “biopolitics” of the state require “more complex systems of coordination and centralization” of population administration, which is based on the knowledge of statistics, demography, economy and epidemiology of particular geographic spaces and people “through which life was being discovered in its modern societal form” (Duffield, 2007: 5-6).

These lessons of “geopolitics” and “biopolitics” were not obscure ideas but were rather well known to the leaders who participated in the global conflicts of the 20th century. In 1924 during the democratic Weimer Republic period of Germany, Karl Haushofer established a journal at the University of Munich devoted to geopolitics – *Zeitschrift für Geopolitik (Journal for Geopolitics)*. In the 1933 issue of the journal the other political scientist Louis von Kohl explained that biopolitics and geopolitics are to be studied simultaneously as they were complimentary to each other as “the basis of a natural science of the state”. Biopolitics is about the population life-system and its “historical development in time”, while geopolitics is a more horizontal concept where the key is actual distribution and use of geographical space in the society at particular time and more importantly, political “interplay between people and space” (Thomas Lemke, *Biopolitics: An advanced introduction*, 2011: 13-14). These ideas were taken as a normative “statecraft” or scientific expert advice later by the Nazi Germany in mid-1930s. This geopolitical and biopolitical “statecraft” notoriously culminated in the unprecedented suffering, death and destruction associated with World War II.

When the world was focused on the International Military Tribunal of Nuremberg on 8th August 1945 to judge the brutal “crimes against humanity” by Nazi Germany, which gave foundations to International Court of Justice and other important humanitarian institutions of justice, Hannah Arendt observed that the trial would inspire her to write about the notion of “human debris” as a by-product of capitalism in *The origins of totalitarianism* (Arendt, 1951). According to Mark Duffield, the “contemporary treatment” of Hannah Arendt’s “human debris” notion was re-conceptualised by Zygmunt Bauman (Duffield, 2007: 9), who views the condition of existence that modern industrial progress requires as expected to produce “wasted lives” among the population where it operates similarly to other wastes of industrial output (Zygmunt Bauman, *Wasted lives: Modernity and its outcasts*, 2004). This governmentality constructs the “categories” of people for their “usefulness” to the overall productivity of the state system in the competitive environment of geopolitics and associated international structural norms. For those unfortunate, whom Bauman characterizes as “waste-life” for their uselessness to the industrial progress and efficiency of modern systems “from their present place, the dumping site, there is no return and no road forward ...” (Zygmunt Bauman, “To each waste its dumping site”, 2007: 175)

All waste, including wasted humans, tends to be piled up indiscriminately on the same refuse tip. The act of assigning to waste puts an end to differences, individualities, idiosyncracies. Waste has no need for fine distinctions and subtle nuances, unless it is earmarked for recycling ... All measures have been taken to assure the permanence of their exclusion. People without qualities have been deposited in a territory without denomination ...

(Bauman, 2007: 176)

Gunther Anders wrote that, at around the same time of the war-crimes trials in Germany, “the last irradiated victims of Hiroshima (広島), after having fallen to their knees while running away through the debris of their city, collapsed and died. On August 8, 1945, the inhabitants of Nagasaki (長崎) still had a last 24 hours to walk, to rest, work, eat, sleep, laugh, cry and to love without suspecting anything.” (Barrillot, 2007: 443). In other words, the population of Hiroshima and Nagasaki was denoted as “collateral damage” (Bauman, 2007: 185) for the purpose of World peace and new “humanitarian order” of the international relations. Thus, while the “concept of a crime against humanity” was being constructed to be institutionalised in Europe in the post-World War II international society, the similar crime was about to take place in the East, which was, ironically, to be committed by the promulgators of the punishments against war crimes. This state of the global governmentality that emerged before the Cold War is summarized in Halford John Mackinder’s Eurocentric geopolitical notion delivered at the Royal Geographical Society in early 1900s about the East, which is “perpetually threatening, unstable, and at times racially incapable of peaceful governance” (Dodds, 2007: 125). Regrettably, this contradiction became the basis for the international and domestic politics associated with the global “development” and “security” dependent on the potential use of nuclear weapons.

The conditions of geopolitical competitiveness determined the “categories” of usefulness with regard to the “military industrial complex” valuable for the advances in governmentality to maintain the World “peace”. The Convention for the Prevention and the Repression of the Crime of Genocide was adopted on 9th December 1948 at the United Nations (UN) General Assembly. Furthermore, *The Universal Declaration of Human Rights* (UDHR) was adopted as Resolution 217A

on 10th December 1948 at the UN General Assembly that outlined the “fundamental human rights to be universally protected” as a standard for “all peoples and all nations” (*The Universal Declaration of Human Rights*, 1948). However, the UN General Assembly left out the question of “nuclear weapons and human rights”, and the delegates appeared to deliberately ignore the reality that “the United States had already ‘deported’ the inhabitants of the atolls of Bikini and Enewetak in 1946, in order to carry out nuclear tests on their ancestral grounds” (Barrillot, 2007: 443).

In the midst of the Cold War, the notion of “geopolitics” was rehabilitated from the past “Nazi stigma” to being a core concept in the discussion of the Cold War American “realism”. The concept was promoted by the theorists of “nuclear deterrence” such as Bernard Brodie and Glenn Snyder, by the intellectual politicians such as Henry Kissinger and Zbigniew Kazimierz Brzeziński (Dodds, 2007: 39-41) and systematised further by the “structural realism” of Kenneth Waltz (Waltz, 1979). However, in contrast, the discussion of “biopolitics” had appeared in the public discourse from the “critical perspective” on the political technologies of “neoliberal governmentality” in Europe in famous lectures by Michel Foucault (Thomas Lemke, “‘The birth of biopolitics’: Michel Foucault’s lecture at the Collège de France on neoliberal governmentality”, 2001).

Thus, the discussion of “geopolitics” of structural realism, where nuclear weapons arsenal play a key role in maintaining world peace, is discussed without a “complimentary” notion of biopolitics of “structural realism” as was initially conceptualised by Swedish and German theorists of organic “state organism” in early 20th century. At the time, the distinction between the biopolitical and geopolitical spheres of international influence remained distinct mainly because of the different priorities of governance, such as post-war reconstruction,

decolonization, international institution-building, and, in the case of the US, hegemonic expansion in the maritime geography inspired by Alfred Mahan's concept of "sea power" (Mahan, 1890). This was maritime "concept" similar to the Mackinder's enthusiasm of "land expansion" towards "Euro-Asian heartland" pivot by constructing trans-continental railways "that work wonders in the steppe" (Mackinder, 1904: 434) that most probably inspired the early school of geopolitics in 1920s Germany.

At the end of the Cold War, however, it is now possible to identify the costs of the Cold War, particularly in terms of the dehumanizing and marginalizing aspects of the Long Peace. In particular, it is now possible to fill the gap in the incomplete discussion of geopolitical "nuclear deterrence" and associated "structural realism" with "biopolitical" aspects of Nuclear Age in the US-Soviet relations. Post-Cold War Kazakhstan provides an illustrative case for the biopolitical-geopolitical impact on population, its environment and its possible legacy for next generations.

3. The Case of the Polygon: Biopolitics of "Wasted Lives" in Semipalatinsk?

The Cold War in Mackinder's "Euro-Asian heartland" started in the steppes of Kazakhstan "on August 29, 1949 at 6.30 a.m. without any notifications [to the public]" (Berkinbayev, 2016), when the Soviet Union successfully detonated the first nuclear bomb at the Semipalatinsk Nuclear Test Polygon in the northeastern part of Kazakhstan (see Figure 1). The first explosion was conducted by H-bomb RDS-1 "with the capacity of 30 kilotons" of explosive power in Abai and Abyraly districts (*ibid.*). This was a plutonium bomb, which was reported as being a Soviet equivalent of "the U.S. 'Fat Man' design" (Carlsen, Peterson,

Ulsh, Werner, Purvis and Sharber, 2001: 946). The explosions of nuclear bombs continued for the next forty years of life for the unassuming local population.

On October 18, 1951 the first Soviet aviation atomic bomb was tested by dropping it from aircraft. On August 12, 1953 the first in the world hydrogen bomb with 500 kiloton yields was tried. In August 1953 thermonuclear machine was tested; in 1955 the USSR tried the bomb created by A. Sakharov. In 1949-1989 470 different nuclear plants were exploded within the test zone, including 90 bombs in the atmosphere, 26 – on the ground and 26 – under the ground. Approximately 50 nuclear bombs were exploded at the atmosphere and under the ground at the Semipalatinsk test site during 1961-1962. In 1963-1988 14-18 tests were carried out every year, 343 nuclear explosions were conducted under the ground in total.

(Berkinbayev, 2016)

This nuclear weapons testing resulted in radiation levels “up to 448 rem” with “total yields at the Semipalatinsk nuclear test site ... 2,5 thousand times more powerful than the bomb dropped on Hiroshima” (Berkinbayev, 2016). Even in the 1950s some scientists were “actively calling for the end of nuclear testing”, as they knew about the hazards of radiation exposure for the public and the environment from previous non-military laboratory work with isotopes, such as uranium, plutonium, polonium and radium. (Werner and Purvis-Roberts, 2006: 463) After all, the life and death of the famous chemist and physicist Marie Curie, who developed a “theory of radioactivity” in early 20th century was one of the poignant examples in the beginning of the nuclear science development.

Both the United States and Soviet Union “conducted atmospheric tests until the Limited Test Ban Treaty of 1963” (Werner and Purvis-Roberts, 2006: 463). The treaty only had a minimal impact on the development of nuclear weapons technology. The United States and the Soviet Union continued their testing with underground detonations, while “non-member states, such as France and China, continued to conduct atmospheric tests” (*ibid.*). Out of more than 2,400 nuclear tests conducted worldwide, 456 tests were conducted at the Semipalatinsk Nuclear Test Polygon. Relative to other detonation test sites, the Semipalatinsk Polygon ranks second “in terms of explosive yield” after the Marshall Islands Test Site, and second “in terms of the total number of tests” after the Nevada Test Site (*ibid.*). The advances in nuclear weapons technology gained from these testing experiments eventually allowed United States, United Kingdom, France, and Soviet Union to negotiate the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) in 1968, seemingly on the grounds of prevention of global nuclear weapons proliferation. However, the aspiring “new nuclear powers” such as Israel, India and Pakistan had never joined the treaty.

Semipalatinsk Nuclear Test Polygon is “an 18,000 km tract of land situated about 130 km west of Semipalatinsk, a city that currently has about 400,000 residents” (*ibid.*) and one of the major cities of Eastern province (oblast) of Kazakhstan. The Soviet Government “consciously and intentionally exposed” people within the greater Semipalatinsk area with neighbouring Pavlodar, Karaganda and Ust-Kamenogorsk areas to radiation and “monitored the health” for research purposes (*ibid.*). There are different estimates of the total number of people exposed to radiation as most of the Soviet military data is still classified, but there are estimates that around “1.6 million people were exposed to significant doses of radiation” (*ibid.*). A few kilometres away from the Polygon is Kurchatov, which was a “closed-city” requiring a special permit-for-

entry during Soviet period devoted to scientific research and development of nuclear weapons and was populated mainly by personnel of the military industrial complex and their families. Aside from Kurchatov, which was the largest population centre closest to the Polygon, there are also a number of small local villages surrounding the Polygon. Locally-born Kazakhs populated the villages of Sarzhal, Kaynar, Kanonerka, Bolshaia Vladimirovka, Dolon and others which “ranged from 800 to 4,800 people” in density. From 1949 to 1989, the residents of these villages received significant doses of radiation. The exposure estimates reconstructed by various scientists are different, but one example shows “Dolon receiving 4470 mSv, Sarzhal receiving 2460 mSv, and Kanonerka receiving 1790 mSv” (Carlsen, Peterson, Ulsh, Werner, Purvis and Sharber, 2001: 946, 948).

These volumes represent exposures that range from 663% to 1719% of the average exposure of populations in the present-day health and safety standards (Public Health England Secretariat, 2011). The information openly available on the exposure risk in the Semipalatinsk area was derived from official information about the number and type of nuclear tests occurred: “30 ‘surface’ tests and 86 ‘atmospheric’ tests were conducted in the area known as the Ground Zero experimental field; 109 underground tests were conducted in the Balapan region, where the explosive was deposited into the ground with a borehole; and 239 underground tests were conducted in the Degelen Mountain complex, where the explosives were deposited through a horizontal tunnel into the side of a mountain” (Werner and Purvis-Roberts, 2006: 463). The underground tests were not necessarily safe, as many experiments leaked radioactivity to the atmosphere, or at the very least exposed soil, underground aquifers and other environmental features to radiation. The last underground test was on 12th February 1989, which “resulted in a leakage of large amounts of the radioactive noble gases

xenon and krypton” (Carlsen, Peterson, Ulsh, Werner, Purvis and Sharber, 2001: 946).

The nuclear testing programme of the Soviet Union was so classified that even the local people living in the nearby villages were not informed about the tests. The recently opened archives show the photos and documents previously declassified for the public digital history project in Kazakhstan. For example, one of the official documents shows the list of forty people who died in one village of Karaul during the testing of the nuclear bomb in 1953. The list contains full names and professional occupations listing people from the highest position of the Assistant Secretary of the District Communist Party Committee down along the Soviet “professional hierarchy” to other residents of the village with professions, such as accountants, policemen, teachers, drivers and others (Berkinbayev, 2016). American experts who visited the sites and interviewed local residents in early 2000s reported that “villagers, who lived as close as 30 km from the test site ... occasionally entered the test site territory to gather hay and to herd livestock, were never informed of the risks associated with the tests”. Thus, they concluded that most probably Soviet authorities “knowingly exposed these innocent citizens to harmful levels of radiation in order to test the effects of radiation” (Werner and Purvis-Roberts, 2006: 463).

Currently the exposed areas are populated by second- or third-generation descendants of those exposed initially in 1950s-1960s. The occurrence of various radiation-related health problems is of a much higher rate in these populations than elsewhere in Kazakhstan. Undoubtedly, there are many other factors that affect rural population health in the area as malnutrition, poverty and poor sanitation, but these do not discount the effect of the radiation to which local people were intentionally exposed by their own government that intentionally withheld information on the hazards of nuclear weapons experiments.

There are cases such as a “twofold risk of leukemia” in the area “among those with doses $>2\text{Sv}$ compared with those having doses $<0.5\text{ Sv}$ ” that resulted from “exposure during the period of testing” or the increase in cases of “Hashimoto’s thyroiditis and thyroid cancer” in 1980s-1990s or predominance of “papillary cancer (48.1%) and follicular cancer (33.1%) currently predominate in the Semipalatinsk region” (Carlsen, Peterson, Ulsh, Werner, Purvis and Sharber, 2001: 947). Despite these health problems, there continues to be an unresolved debate on the exact impact of the “residual radioactivity” after the period of testing of nuclear weapons in the scientific community in Kazakhstan, Russia, United States, Japan and other countries (*ibid.*).

Among the Kazakh scientists, most significantly the prominent anti-nuclear activist and long-time director of the Institute of Oncology, Professor Saim Balmukhanov, argues that the data collected from his sample in the Sarzhal and Kainar villages exposed to the radiation and Kokpecty village unexposed to the radiation show that “pathologies in cohorts born after the atmospheric tests appeared to be significantly higher in the villages within the fallout” compared to the other unexposed “control village”. Furthermore, he described a case with many possible “pathways of exposure to plutonium particles from the soil”, such as the “plutonium accumulation in the bones of horses”, which represents a continuing risk for radioactive exposure as horsemeat and milk are part of the normal diet in Kazakhstan and neighbouring countries (*ibid.*: 947). Moreover, the exposure risk is magnified by the continuing practices of free-range grazing of herded cattle on the open, and potentially irradiated, steppe grassland, irrigating farms and home gardens with potentially irradiated groundwater, and of drinking untested water from artesian wells, which are often the only sources of drinking water in the steppe (*ibid.*: 948).

The example of conflicting discourses of local medical personnel, herding farmers and scientists about the impact of radiation for the life of rural community living next to the Polygon were well documented in the *After the Apocalypse* non-fiction feature film made by the British filmmaker Antony Butts in 2011 (Bradshaw, 2011). The documentary film (Butts, 2011) introduces the audience to one of the medical doctors in the area, Dr. Toleukhan Nurmagambetov, who is struggling with the number of cases of genetic deformities in the population and proposing to introduce biopolitical “genetic passport” to disallow the life of potential newborns for the parents with deformities associated with the nuclear weapons testing. In other words, the only way to reduce the genetic damage in the next generations seems to be to limit the reproduction of the local population. Consequently, the lack of socioeconomic opportunities combined with the lack of national and international institutional concern for the problem leave the local medical personnel with the task of biopolitical governmentality to administer and, ultimately, to disallow (Foucault, 2008) the “wasted lives” (Zygmunt Bauman, *Wasted lives: Modernity and its outcasts*, 2004) among the rural population of herders in the Semipalatinsk region. Thus, what are the levels of radiation that affect local population and their environment? What can be done to prevent or mitigate the continuous damage to population health?

During 1990s there were at least three different teams, including one American team, that published results of their radiation-related research on the topsoil and subsoil of the Semipalatinsk “ground zero” area: Dubasov (1997) with composite samples from 0-20 cm, Shebell and Hutter (1997) with subsamples of 0-5, 5-10 and 10-15 cm, and Yamamoto *et al.* (1996) with surface samples to 5 cm that conducted the analysis of soil in the Ground Zero site and Chagan/Bolapan site for a

number of isotopes. All three have very different results, for example in the Ground Zero (Bq kg⁻¹): radioactive cesium (¹³⁷Cs) for Dubasov is 108, for Shebell & Hutter is 24200 and for Yamamoto *et al.* is 83300 (Carlsen, Peterson, Ulsh, Werner, Purvis and Sharber, 2001: 949). There seems to be little explanation of why the results are different. Furthermore, in the end of the article showing this table of measurements, Carlsen *et al.* (2001) pose a question – “How good is the dosimetry? At the time of writing, we were not aware of any peer reviewed publications that compare assumptions, methods, and results of dose reconstruction performed by Russian, Kazakh, and U.S. scientists.” (*ibid.*: 952) If it is not clear even about how to measure and reconstruct the exposure of soil to the radiation at the Ground Zero, how much more can we know about the effect of radiation on the people who lived and continue to live in close proximity to the testing sites? More importantly, all the findings indicate that the residents in the area very likely ingest more than the stable and safe amounts of caesium, which is on the average 10 micrograms/day (ATSDR Secretariat, 2004).

There are other locations in the world, where local populations and military personnel with their families were exposed to the nuclear weapons tests but were allowed to at least receive information on the condition of their health and environment. For example, the study of the Polynesian patients affected by thyroid cancer conducted by Prof. Claude Parmentier at the Gustave Roussy Institute in Paris showed “anomalies of the DNA ... three times more significant than those in European patients affected by the same disease” (Barrillot, 2007: 456). Bruno Barrillot poses a question with this example – “Is damage to the DNA of an irradiated person transmissible to succeeding generations?” (*ibid.*). He provides further examples of the case researched by Dr. Sue Rabbitt Roff at the University of Dundee in the UK, who showed “dermatological, musculoskeletal and gastrointestinal problems in the

children and the grandchildren of veterans of the British tests as those exposed directly to the tests themselves”. She also found “significant rates of sterility and neurological anomalies” in her sample of children and grandchildren of British veterans who served at the nuclear weapons testing sites (*ibid.*). But aside from the issue of humanely treating the victims of intentionally-hidden irradiation in specific locations is the recent discovery that nuclear weapons use, testing, and development is inherently unsafe for all in the present and for future generations of humans. Furthermore, after the 2011 Fukushima (福島) nuclear disaster, the nuclear energy production by TEPCO in Japan and the associated crisis are politicized as the “ongoing nightmare” by Chinese news agency despite the ongoing growth of nuclear power use in China (Xinhua, 2017).

4. Wasted Lives and New Regionalism in Eurasia: China and the New “Nukes for Oil”

The effects of the politics of wasted lives in nuclear weapons testing are not key determinants of the four core elements of nuclear order – namely, nuclear deterrence, arms control, non-proliferation, and disarmament. This is mainly because the goal of gaining strategic stability gives nuclear-armed states a reference for regulating relations between each other and with non-nuclear-armed states (Horsburgh, 2015: 22). Despite the possibility that nuclear weapons may be inadvertently used because of national or international instability (Waltz, 1981), the overall trend of relations between nuclear-armed states has been towards consolidation and stability (Horsburgh, 2015: 28). The case of nuclearization in China shows that the development and creation of nuclear weapons are motivated by the need to overcome the hypocrisy of Western nuclear non-proliferation and to compel the United States in

particular to be more cautious with its diplomacy in the Asia-Pacific (Cirincione, 2000: 133, 135). The limited size and types of nuclear weapons developed in China from 1964 relative to those in the US and the former Soviet Union appear to represent a reactive rather than an aggressive overall national defence policy (Fravel and Medeiros, 2010: 60-61, 75). However, the human cost of this weapons program has been estimated at 750,000 deaths in areas surrounding Lop Nur, Xinjiang (新疆), near the Kazakhstan border, where 46 nuclear detonations tests were conducted from 1964 to 1996 (Epoch Times Secretariat, 2009). The largest detonation was 4 megatons in 1976: the explosive yield was estimated at 10 times greater than the largest at Semipalatinsk, Kazakhstan (Takada, 2008). An estimated 1.2 million persons near Lop Nur have received doses of radiation that are high enough to cause leukemia, cancers and foetal damage, and the cancer rate in Xinjiang is 30 to 35 percent higher than the rest of China (Merali, 2009). Nevertheless, compared to the number of Chinese casualties in the 1950-1953 Korean War (est. 250,000) (Farley, 2014), and the Second World War (est. 10,000,000) (*War Chronicle* Secretariat, 2017), the human cost of the nuclear weapons program would appear, similarly to the Soviet case of Semipalatinsk Polygon, to be acceptable as a “collateral damage” in the geographic periphery, particularly because of the potential “deterrent effect” as a retaliatory measure towards the great nuclear powers of the world in the realist perspective of international relations.

However, even if Kazakhstan and neighbouring Xinjiang still represent “geographic periphery” for the nuclear issues of the government in Beijing, its foreign policy engagements appear to be motivated by some concern for energy-related stability. The decision of President Xi Jinping (习近平) to have a 10-day official trip devoted to four Central Asian countries on 3-13 September 2013 have effectively reconceptualised Eurasia as an important geopolitical component of

growing China. The aim of President Xi Jinping's trip to Kazakhstan was to "reaffirm the strategic partnership" and to sign twenty-two agreements "worth 30 billion dollars" in the energy, agriculture, transport, and construction sectors, which also included "building of new oil refinery in Kazakhstan" (Boulègue, 2013). The most important part of Xi Jinping's September 2013 visit was "the official agreement on the acquisition by the CNPC (Chinese National Petroleum Company) of an 8.33 percent share in the Kashagan offshore oil project for 5 billion dollars" (*ibid.*). Interestingly, this arrangement became certain for China only "after U.S. major ConocoPhillips announced in November 2012 its intention to disengage from the project and to sell its shares" (*ibid.*). Furthermore, President Xi and President Nursultan Äbişulı Nazarbayev (Нұрсұлтан Әбішұлы Назарбаев) formally launched "the first phase of the Kazakhstan-China natural gas pipeline" (De Haas, 2015). These transactions between the governments of China and Kazakhstan appear to indicate an important shift concerning the geopolitical and geostrategic influence in Central Asia and in the former Soviet geographic "space", and therefore also imply several key questions. Is China's energy interest and participation in Kazakhstan's economy part of the "Good Neighbourhood" and harmonious "Peaceful Development" that will have an effect on wasted lives (Zygmunt Bauman, *Wasted lives: Modernity and its outcasts*, 2004) in "geographic periphery" or just an indication of the geopolitical expansionism of a threatening "China's Rise" (Brzezinski and Mearsheimer, 2005)?

The "One Belt, One Road" (OBOR) initiative consists of two components: (1) Silk Road Economic Belt (SREB) and (2) Maritime Silk Road (MSR). The Silk Road Economic Belt component has placed Kazakhstan in the midst of China's contemporary foreign policy for Eurasian economic expansion. According to Wang Jisi (王緝思), an international relations scholar at Peking University, the Chinese state is

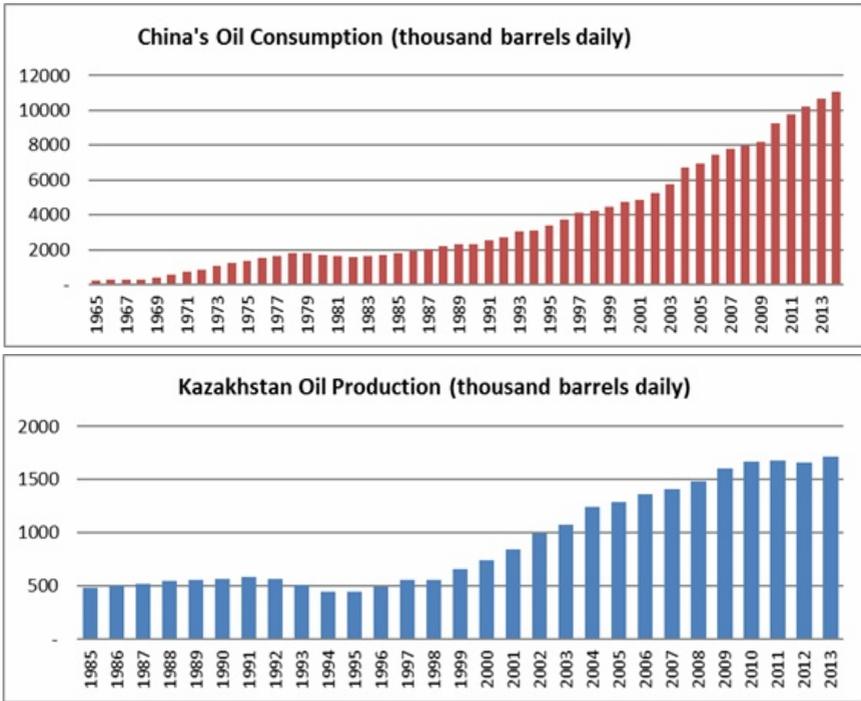
self-obliged to “march westward”, conceptualised in OBOR, as part of rational strategic decision-making (Panda, 2013). This is “because the ‘eastward shift’ in strategic focus of the Obama administration (known as the ‘rebalance’) threatens to lock SinoU.S. relations into a ‘zerosum game’ in East Asia”, which could have negative effects that range from the promotion of aggressive nationalism among the states of the Asia-Pacific to militarized conflict over territorial control, freedom of navigation and other issues associated with “hegemonic expansion” of either the US or China (Clarke, 2015). China’s western expansion inland towards Kazakhstan has considered having minimal risk of conflictual encounters with the US, and in particular having zero potential for territorial or military conflict with the US over maritime, territorial, freedom of navigation, and sovereignty-related issues. Thus, from China’s perspective the western direction for the expansionary policy is more of a geopolitical necessity that allows for a relatively safer means to rebalance power and influence against the United States, which has significant influence over eastern issues such as the South China Sea disputes, the cross-strait Taiwan issues, and the resolution of the nuclear threat of North Korea. Moreover, the westward move will draw more global attention to the promotion of “peaceful development” of Xinjiang, which has until recently been an obscure and impoverished territory for centuries. The Chinese strategy will likely have an inevitability of re-conceptualizing Xinjiang as a gateway for the supply of energy resources and the safety of commercial traffic necessary for further economic and political growth in the Eurasian region. Just as important as the ability of China to expand its interests westward is the decline of the US influence in Central Asia. In this case, the decline is indicated by the decision to sell the U.S. ConocoPhillips shares in Kashagan oil field in Kazakhstan and by the termination of the agreement to allow American military forces to deploy from the Manas Air Base in Bishkek,

Kyrgyzstan, which was linked with the withdrawal of NATO forces from Afghanistan.

The energy consumption for all types of fuels in China continued to increase dramatically until recently (see Figure 2), when even in 2014 “China still recorded the world’s largest increment in primary energy consumption for the fourteenth consecutive year” (BP, 2015). The consumption growth for oil in China in 2014 was “below average but still recorded the largest increment to global oil consumption (+390,000 b/d)” (*ibid.*). This growth justified the expansion of Chinese energy-related interests in Kazakhstan, particularly in growing oil production projects (see Figure 2) such as, for example, the extraction and refinement operations in the large Kashagan oil field. At the same time, China’s comprehensive strategy included the building of the transportation-related infrastructure, including natural gas pipelines, for the “Silk Road” economic belt in order to stimulate further trade and investments in Central Asia. There were three critical oil projects of China-Kazakhstan relations: (1) the investment of “\$2.5-3 billion in building a 3088-km pipeline from Atyrau in western Kazakhstan to Dushangzhi in Xinjiang” in 1997, which extended from Qandyaghash to Atasu in 2003 and from Atasu in Kazakhstan to Alashankou in China in 2004; (2) the acquisition of 60% shares of Aktobemunaigaz oil company in Aktobe in 1997; and (3) the acquisition of PetroKazakhstan, Canadian oil company, in 2005 (Lai, 2007: 527).

According to Mathieu Boulègue, Beijing’s Central Asian energy policy relies on two major approaches: (1) Beijing acquires the “controlling shares in distressed energy consortiums at low prices as well as purchases local oil fields”, and (2) Beijing invests in the pipelines and other transportation infrastructure “in order to connect all the acquired fields and deposits to the wider Chinese network” via Xinjiang (Boulègue, 2013). There is also a third approach to the energy

Figure 2 China’s Oil Consumption and Kazakhstan Oil Production



Source: BP (2015).

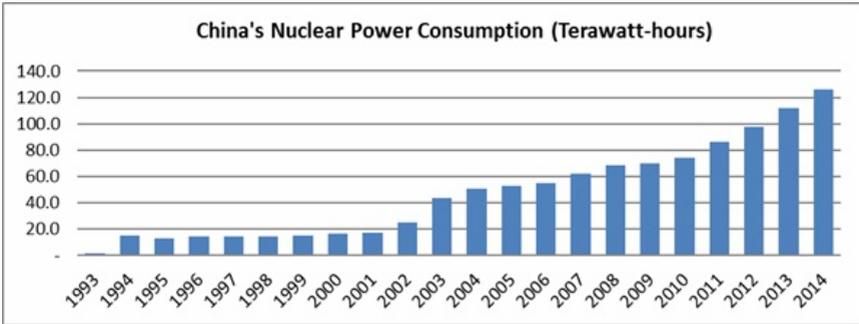
policy of China that is becoming more relevant for Kazakhstan and its industrial development in recent years – the nuclear energy. Kazakhstan’s experience in military industrial complex of the Soviet Union, particularly in managing the “nuclear assets” of the industry has now become useful for China’s growth as economic power of the world. In recent years China has put in enormous efforts for expanding the capacities for nuclear power generation to cope with the challenges of economic growth and energy security, as well as climate change, which brings “new challenges on resources allocation, technology selection,

waste management and safety” (Xu, 2010: 48).

According to the *BP Statistical Review of World Energy*, the global nuclear output increased “by an above-average 1.8%, the second consecutive annual increase” notwithstanding the accident in the Fukushima nuclear power plant in Japan in 2011, the growing doubts about the future of nuclear power in Japan, and the debate on the long-term sustainability of nuclear energy worldwide. Nuclear energy production particularly increased in South Korea, China and France, while the opposite trend of decline was seen in Japan, Belgium and the UK (BP, 2015). *World Nuclear Performance Report 2016* shows the “predictable series construction of large reactors” in China despite the safety concerns in the industry in order to “cut reliance on coal-fired generation and promote the use of low-carbon energy, confirming the 2012 target of 58 GWe of nuclear online by 2020, with 30 GWe more under construction”. In 2015 alone the “new units were connected to the grid at Fangjiashan, Fuqing, Hongyanhe, Ningde, Changjiang, Fangchenggang and two at Yangjiang” and the construction began for “two new units at Fuqing and another two at Hongyanhe” (World Nuclear Association, 2016).

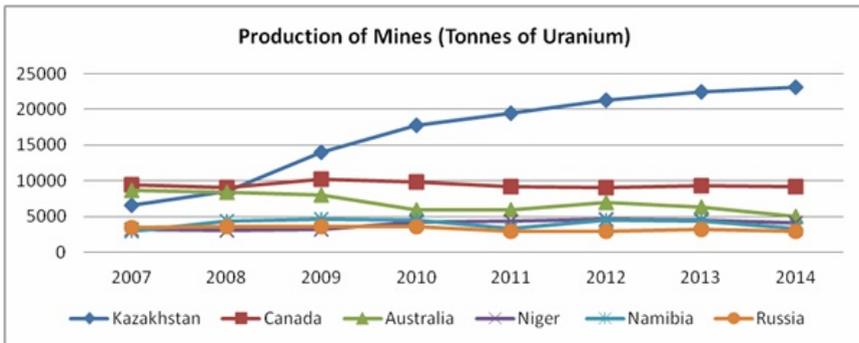
As if matching the steady increase in China’s nuclear energy consumption since 2010 (see Figure 3), Kazakhstan since 2009 overtook Canada and Australia in the mining of uranium produced for nuclear power plants use (see Figure 4). Presently, more than two thirds of the world’s uranium fuel is sourced from the mines in Kazakhstan, Canada and Australia, and among these Kazakhstan produces the largest world share. More importantly, more than half of uranium mine production is managed by the state-owned companies due to the complexity of the process and to safety concerns, where the security of the production, storage, transportation, and overall supply is given greater emphasis than pure market considerations (World Nuclear Association, 2015).

Figure 3 China's Nuclear Energy Consumption



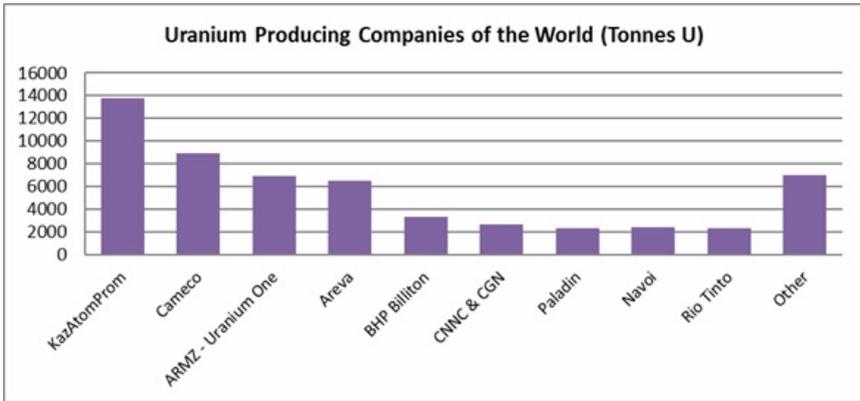
Source: BP (2015).

Figure 4 Major Uranium Production in 2007-2014



Source: World Nuclear Association (2015).

Both Kazakhstan and China in the case of uranium and nuclear power production rely on the state-owned companies, which places business negotiations and inter-state cooperation within the scope of state foreign policy that includes bilateral and multilateral engagements in the Eurasian region. In 2014, among eleven companies that take up 88% of the world's uranium mine production, Kazakhstan's state-owned KazAtomProm was accounted as the largest producer (see Figure 5).

Figure 5 Uranium Producing Companies of the World in 2014

Source: World Nuclear Association (2015).

The primary obstacle to further expansion of the Kazakhstan uranium industry is the overall condition of the international uranium market taking liberal perspective of industry growth, not the biopolitics of “wasted lives” experience of Semipalatinsk Polygon. In this liberal perspective, China is considered one of the growing markets for power produced from nuclear reactors and the Chinese government is likely to explore further opportunities for cooperation with Kazakhstan to meet this demand. These opportunities are likely to come in the form of expanded energy sector investments in Kazakhstan’s uranium mines and other associated nuclear energy industries. As would be expected, in 2011 Beijing not only continued investing in oil and natural gas infrastructure, but also pledged “to buy Kazakhstani uranium for an estimated \$8 billion” (Rousseau, 2013).

Uranium transportation requires strict regulations on the “health and safety” and security of the radioactive commodity, thus complementing the future demand for the improved infrastructure as expected for the

“One Belt, One Road” (OBOR) strategy. China’s enthusiasm and capabilities to expand the bilateral investment and trade relations with Kazakhstan also enhance the interactions, which support the more comprehensive institutionalized multilateral initiatives such as the “One Belt, One Road” (OBOR) strategy as part of the now geopolitical “Eurasian pivot”. Thus, former “geographic periphery” populated by the “wasted lives” has become critical for the future economic development of a growing China. However all these initiatives are based on state-level geopolitical “national interest” in the liberal capitalist “market conditions” of the mostly authoritarian Eurasian region, conveniently disregarding the biopolitical issues of population lives in Semipalatinsk and Xinjiang. Thus, the question still persist: What would China do as a regional power for “Good Neighbourhood” and harmonious “Peaceful Development” of the marginalized population? Would the development of “peaceful” energy industry in Eurasia contribute more existential risks and more “wastes” (Zygmunt Bauman, “To each waste its dumping site”, 2007) to the life-systems of local population in Kazakhstan and China? How would the issues of “nuclear safety” on the population level in the region be managed? These questions are open for debate for diplomats, multilateral institutions and professional industrial associations in the region. Currently, Shanghai Cooperation Organisation (SCO, 上海合作組織 / Шанхайская Организация Сотрудничества), the main multilateral institution in the Eurasian region, does not provide clear guidelines for the issues of “nuclearism” among its member-states.

5. Conclusion: Wasted Lives and the Limits of Liberal “Humanitarianism” and Realist “Nuclearism”

The summary of the International Physicians for the Prevention of Nuclear War (IPPNW) Congress in August 2014 in Astana, Kazakhstan,

provides a disturbing account by medical doctors about the existing knowledge and capabilities of the “humanitarian emergency” institutions in the case of intentional or accidental “nuclear weapon detonation” (Loretz, 2015). For example, Dr. John Borrie from the UN Institute for Disarmament Research (UNIDIR) introduced his research titled “An Illusion of Safety” where he argued that “any emergency medical response to even a single nuclear detonation would be palliative (i.e. easing the suffering of the dying) at best” (Borrie and Caughley, 2014). The discussion interestingly omits the increased capacities for peaceful nuclear energy use and risks associated with the other “nuclear accidents” in the industry. Furthermore, his conclusion is that in the current state of the global epistemic community and institutional humanitarian capabilities, “it is unlikely that any state or international body could address the immediate humanitarian emergency caused by a nuclear weapon detonation in an adequate manner and provide sufficient assistance to those affected” (Loretz, 2015: 23). And the most distressing summary of the research is: “it might not be possible to establish such capacities, even if it were attempted” (*ibid.*). In other words, even the United States as a superpower in the “realist” perspective may not have “capabilities” to lead or manage the international humanitarian emergency associated with “nuclear weapon” detonation. What are the capacities of China and Russia for emergency humanitarian response to nuclear disasters in hypothetical military or civil events? What is the role of the multilateral institutions such as Shanghai Cooperation Organization in responding to potential regional “nuclear” crises?

Therefore, particular persons who are already affected by the nuclear weapons programmes of the states would never be fully assured that the treatment they received as the “waste-life” of 20th-century Nuclear Age will end in their lifetime or how far in their generational line the effects of the maltreatment will extend. For example, a painter,

nuclear non-proliferation activist and an ambassador of ATOM (“Abolish Testing. Our Mission”) Project (The ATOM Project, 2016), Karipbek Kuyukov (Карипбек Куюков), who was born without arms after his parents were unknowingly exposed to the hazards of Semipalatinsk Polygon (Loretz, 2015: 22) may be only a symbol for the marginalised few of this generation with more “affected” generations to come, because nuclear proliferation as part of “structural realism” still continues to be a major framework of analysis for international relations recommending governments to attain nuclear weapons for “peace and stability” in the region (Kenneth N. Waltz, “Why Iran should get the Bomb: Nuclear balancing would mean stability”, 2012). The impact of nuclear disasters on the population and environment in Chernobyl (Чорнобиль) in 1986 in Ukraine and in Fukushima in 2011 in Japan still does not provide clear answers on standardized response to crisis management during nuclear emergency on the regional level of multilateral governance that involves populations of several states.

Thus, the costly impact and the risk of nuclear proliferation do not stay with one generation: the effect is intergenerational. The reality that the damage of a nuclearised military industrial complex cannot be fully predicted, limited, compensated or cured is a strong challenge to the claim that a nuclearized peace promoted by the American IR “realists” is desirable or at least viable. The risk of nuclear war may be low now with the perception that nuclear deterrence provide the “peace and stability” in the United States, Russia, Israel, India, Pakistan and other nuclear states, but there is no guarantee of “miscalculation” or “accident” in the long term even for the super-power such as the United States (Rendall, 2007: 526-527). Ken Booth, who previously published a number of articles in the “realist” perspective, in his two-part article on “human rights and nuclearism” argues that the culture of “nuclearism”, which is a “psychological, political, and military dependence on nuclear

weapons”, is fundamentally not only opposite to but cancelling out “all other human possibilities” encouraged by the post-Holocaust “universal human rights” culture (Booth, 1999a: 1-2). Furthermore, the “pervasive nuclear amnesia at the public level” is dangerous in the long term because the limited interest of the global civil society allows political elites “to carry out their nuclear policies in way and at the pace they have preferred” (Booth, 1999a: 12-13). Booth does not criticize nuclear energy policy of the major powers, even though there are clear parallels in the “culture of nuclearism” in the energy sector, particularly considering carbon emissions reduction pressure of climate change and other environmental targets, as much as in the traditional military sector.

Furthermore in part two of the article series on “human rights and nuclearism” Booth provides a critical analysis of the “nuclear deterrence” theory, by comparing it to “theology”, which has its dogmatic “sacred texts” and “high priests” of nuclearism that silence “alternative ways of thinking” in strategic studies as a discipline. In sum, “nuclear theology” is the “highest technological expression of the strategic culture associated with the 350-year international world defined by the ideas and practices of Machiavellian ethics, the Clausewitzian philosophy of war and the Westphalian states system; this strategic culture is also ethnocentric, masculinist, and determined by the material most powerful” (Booth, 1999b: 44-45). If “structural realism” has its limits in re-conceptualising the international system of states without nuclear weapons proliferation, are there liberal institutional measures to possibly respond to this issue?

One of the hopes explored by Bruno Barrillot is “categorizing the manufacture and experimentation related to the production of nuclear weapons as ‘crimes’” (Barrillot, 2007: 444-445). His article argues that “nuclear testing constituted a denial, indeed a deliberate violation, of the right of a population to live in a healthy environment” and the nuclear

weapons tests shall be discussed as “attacks on the physical and genetic integrity of the indigenous populations of the areas affected” (*ibid.*). However he is pessimistic about the actions of international institutions as “specialists in international law have not been able to reach agreement about the status of those who carried out, continue to carry out, or intend to carry out tests that have affected the physical and genetic integrity of specific populations, and even it might be argued, of humanity as a whole”, even though in 1996 the International Court of Justice considered the issue (*ibid.*). He further problematises the issue of nuclear weapons testing in international law by linking it to the “deficiencies in human rights law” on the issue of “genocide”. The exposure to hazardous radiation because of the nuclear weapons tests “can be regarded as an ‘inhuman act’”, however the diversity of the “very few” victims in the world “were not exposed to the dangers of radiation for ‘political, racial or religious reasons’ according to terms of the Court of Nuremberg”, thus it cannot be accounted as “genocide” (*ibid.*: 455). And lastly, the definition of genocide by the Convention of the United Nations of 9th December 1948 includes provisions about the “authors of genocide” whose acts are “made with the intention to destroy”. However, the politicians and scientists who promoted and continue to promote the nuclear weaponry cannot be covered by this definition as the “objective of nuclear testing does not appear to be ... carried out with the intention of destroying the indigenous populations or affected personnel” (*ibid.*: 456). Thus, politicians, academic professionals and administrators of the military industrial complex who help to either promote or produce nuclear weapons would be legally safe to continue the practice of “nuclearism” despite the high risks for population life and documented historic cases of “rights” violations.

Still, the illustrative case of the Semipalatinsk Polygon provides the “fact” that despite the knowledge of the negative impact of radiation on

people, the tests were carried out without informing or relocating the local population. Furthermore, the costs of intergenerational health problems associated with genetic damage due to exposure to the nuclear weapons testing lie with the local “waste-life” population and the current government of Kazakhstan. The capacities of the government of Kazakhstan to resolve the issue are limited not only because of the internal socio-economic, financial and scientific limits, but also due to the enormity of the Cold War “nuclearism” legacy that continues to this day in the American foreign policy and international institutional system.

The US and European Union-led international institutional mechanisms of humanitarian organisations, donor governments and epistemic community are limited to research and more detailed documentation and communication of the cases, such as the Semipalatinsk Polygon and its population. Therefore, even if there are possibilities of “institutionalising” the intentional irradiation of people groups as “crime against humanity”, the probability of this happening in the near future might be low due to little interest among the global civil society and the majority of the American political elites. Thus, Zygmunt Bauman’s pessimistic critical thesis about marginalised “wasted lives” of the US-led global industrial system is unfolding among the humans of military industrial complex since the Cold War, where “there is no authority they may resist, sue, lay charges against, or demand compensation from.” (Zygmunt Bauman, “To each waste its dumping site”, 2007: 183) Furthermore, China’s rise might not bring positive change for marginalized communities, even though “nuclear energy industry” has become part of the more “peaceful development” among the neighbours with more transparent industrial guidelines for safety than the “military industrial complex” of the Soviet Union and the United States during the Cold War.

Note

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China and India Going Green: The Power of Wind, International Norms, and National Commitments

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Abstract

India and China have established reputations in the international community for rapid economic development, innovative technology and exploitation of natural resources. Aside from the United States, China and India are the two major producers of carbon dioxide emissions in the world. At the same time China and India are two of the leading developing countries in promoting green energy and international climate change objectives. The local wind energy industry, as an alternative to replace fuel, witnessed a politically-sponsored take-off in both countries in terms of global market share as well as domestically-installed wind energy capacity in the late 2000s. In particular, the current governments have taken the issue seriously on both the local and international levels. China and India ratified the Paris Agreement in 2015 and their national climate objectives. The puzzle of rapidly growing and politically supported wind energy sectors in these two countries in which environmental protection is strategically ignored in

favour for economic growth has to be understood in the terms of the bigger picture of Beijing and New Delhi fostering external and internal legitimation by transforming norms and values to measurable outcomes. To do so, the paper illuminates the development of renewed legislative commitments for wind energy, the increasing external pressure for emission reductions, institutional changes, and demands for legitimation in India and China.

Keywords: *green energy, norms and values, new institutionalism, comparative politics, foreign politics, wind energy, policy output performance, legitimation*

1. Introduction

Carbon dioxide is one of the most prevalent greenhouse gases in the atmosphere. Anthropogenic (human-caused) emissions of carbon dioxide result primarily from the combustion of fossil fuels for energy, and as a result world energy use has emerged at the center of the climate change debate.¹

China and India represent the two fastest growing world economies and two of the fastest growing world electricity markets. They account for around 80 percent of non-OECD commercial coal consumption² and consequently are the leading non-OECD carbon dioxide (CO₂) emission producers worldwide (IEO, 2016).³ Exploitation of natural resources, mushrooming urbanization, and air pollution are severe in Chinese and Indian megacities.⁴ Since the Kyoto protocol was ratified, the international consent for long-term CO₂ emission reduction has been enforced by the commitment of the participating countries, including India and China: the main instrument for lowering the use of fuel

resources is energy stratification. Hence, the international pressure on both countries has also been responsible for the rapid rise of wind energy since the late 2000s.

This paper seeks to contribute a more precise analysis of the rapid rise of the wind energy industry and political commitments on the national and international levels in both India and China. It illuminates the postulated relationship between wind energy development, the adoption of norms, and the institutional policy performance of legitimation. On theoretical and empirical grounds the rapid rise of the wind energy market in these two countries offers a lesson on how both conduct compromises between external and internal norms. It is argued that the legitimation process, by means of adopting external norms for climate change and related internationally dictated policy, has been the driving force for the rapid rise of the wind energy market in India and China. Thus, the leading question is *how has external pressure affected the rapid rise of the impressive wind energy output performance of India and China?*

2. Nature of the Demand for Legitimation

Abraham Lincoln states, “government of the people, by the people, and for the people” (Scharpf, 1991),⁵ and thus the statement “draws attention to the importance of actors and to a simple but extremely consequential point: that procedural rules structure and shape the conduct of politics only inasmuch as actors accept or comply with these rules” (Munck, 1996: 6-7).⁶ Legitimation, or the process of establishing and obtaining legitimation, is essential for any stable democratic or autocratic system (Kailitz, 2011). Political regimes demand support by civil and state actors, such as the majority or socio-economic elites and/or military, to establish rule and order, political stability, and generate legitimation

(Munck, 1996). To gain support the government is in need of legitimation.

One main pillar of legitimation in democratic and autocratic regimes alike is output performance. Due to constant socio-economic changes on the national and international levels the key challenge of governments nowadays is to keep pace (North, 2007). In the ongoing transformation process from agrarian to industrial countries, the political regime has to focus on socio-economic development as well as find solutions for problems in this process so that the support or at least the acceptance of major civil and economic actors can be ensured (Huntington, 1991). In the context of marketing within the international community, the decisions of national parties regarding socio-economic and environmental outcomes are watched by hawk-eyed international political and economic actors and independently measured and ranked by agencies (Kneuer, 2012). Policy making and policy outcomes have become more and more multidimensional in their relevance to the legitimation of the state on various levels. In such an environment, a modern state has to rely on its institutional output performance to adapt, adjust, and address ongoing socio-economic changes on national and international levels (Holbig, 2011). One main instrument in the state's arsenal for generating legitimation is policy output legitimation based on the outcomes of issued policy strategies, decrees, and legislations (Gandhi and Przeworski, 2006: 21).

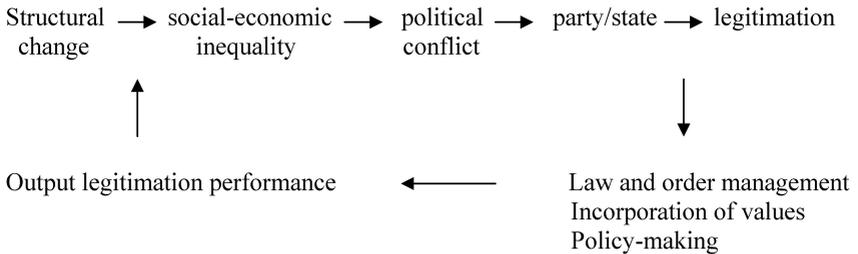
3. Process of Adaptation: Norms, Values and Institutional Change

In this era of change, as traditional society is becoming heterogenic, urbanized and institutionalized on the domestic and global levels, the modern state is reliant on legitimation on internal and external levels. An inability to address the issue of structural changes, such as socio-

economic or environmental problems, weakens one of the main pillars of political legitimation and resilience of the modern state (Kohli, 2001).⁷

Output performance legitimation affiliates with the responsiveness of decision-makers and institutions to adapt to the challenges of socio-economic change. The process has been labelled as institutional change (North, 2007; Theelen, 2004). It is assumed that “[p]olitical institutions are the building blocks of political life. They influence available options for policy-making and for institutional change. They also influence the choices made among available options.” (Olsen, 1998: 95) Political institutions are country-specific and directly and indirectly influence economic institutions (Acemoglu *et al.*, 2001), ensuring stability for investment⁸, modern technology research and production patterns (Barro, 1991). Following the institutional argument by Douglas North (2007), output performance is linked to positive institutional change⁹ – or ability of the institution to incorporate changing values, norms and demands. Positive institutional change allows the state to address the issues of structural change by policy outcomes, such as laws and regulations (North, 2007).¹⁰

Given the fact that globalization, technological changes, and economic reforms constantly alter international values, norms and standards, policy-makers have to constantly reshape and reconfigure their output legitimation performance. Accordingly, legitimation deficits produced by structural changes, either on the international or domestic level, can be warded off by responsible law and order management, which rely on the incorporation of values and norms¹¹ (Theelen, 2004; Mitra, 2006).

Figure 1 Simplified Model of Structural Change

Source: Adapted by Subrata Mitra (2006).¹²

As outlined above and in reference to the logic of “instrumental modalities” (Foucault, 2008), an instrument in the state arsenal to generate output legitimation performance depends on the learning ability of the institutional actors (Olsen, 1998; Kneuer, 2013)¹³: “Institutions create descriptions of collective reality for individuals and organizations: explanations of what is and what is not, what can be acted upon and what cannot.” (Wade-Benzoni *et al.*, 2002: 47)

4. Institutionalization of International Values and Norms as a Pillar for Legitimation

In recent decades, the political systems and their open markets have become more and more embedded in the international community with its international norms, values and regulations (Djelic and Quack, 2003): “Self-justification in moral terms is crucial for most rulers’ and ‘[t]hus all rulers, even the most tyrannical, wish to appear legitimate and seek to cultivate the belief in their legitimacy.” (Alagappa, 1995: 4). In the changing context of international relations, *self-referentiality* and *hetero-reference* have become the new priorities which can be achieved by

output performance legitimation of the national political systems through adapting and fulfilling international norms and standards (i.e. constant economic growth, civil rights and/or environmental protection). In other words, in times of increasing interdependence of modern economies, political regimes are in need of external legitimation (Münch, 2011).

It is important to note that scholars of modern interdependency theory have concluded that the related costs as well as the risks are relatively high. In particular, international regulations have to be enforced through regulations, which demand institutional performance and administrative resources. Furthermore, regimes are pressured to implement external values and norms to gain external legitimation. However, at the same time they are required to justify the new regulations and their socio-economic outcomes on the domestic level, such as costly environmental regulations (Djelic and Quack, 2003).¹⁴ Both the socio-economic outcomes and/or the inability to enforce international norms and values can directly result in legitimation deficits.

5. Case Study: The Rise of the Wind Energy Market

As indicated in Table 1, China is ranked in the top position with 33.6 percent, and India is also in the top five with 5.8 percent of the total produced wind energy worldwide (GWEC, 2014; 2015).¹⁵ What is interesting is that India and China are the only non-OECD countries in the top five.

A further interesting fact is that there is a close link between economic performance and wind energy performance. Nevertheless, as indicated by the global differences, economic performance cannot fully explain the great variations. As argued by von Hippel (2005), the existence or availability of technological know-how is insufficient for any prognosis of the actual spread or use of innovative technology.

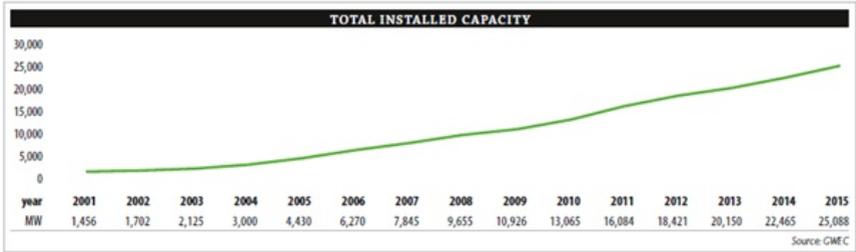
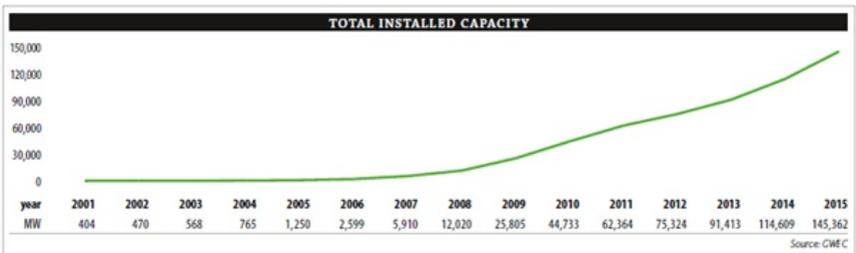
Table 1 Countries and megawatt (MW)

Country	megawatt (MW)	% Share	GDP	Total square km
1. China	145,362	33.6	10,866,444	9,562,950
2. USA	74,471	17.2	17,946,996	9,629,090
3. Germany	44,947	10.4	3,355,772	356,97
4. India	25,088	5.8	2,073,543	3,287,260
5. Spain	25,088	5.8	1,199,057	505,99
6. United Kingdom	13,603	3.1	2,848,755	243,61
7. Canada	11,205	2.6	1,462,330	9,984,670
8. France	10,358	2.4	2,421,682	549,086
9. Italy	8,958	2.1	1,814,763	301,34
10. Brazil	8,715	2.0	1,774,725	8,515,770
Rest of World	67,151	15.5		

Source: GWEC (2015), World Bank, (2016).

Also, the territorial size of the country cannot be regarded as a variable for explaining the performance difference, as the rankings of the United Kingdom and Italy indicate.

As indicated in both Figures 2a and 2b, the rapid rise of the wind market in India and China seems correlated to the increasing international pressure related to climate change upon these two countries after the Climate Conference in Kyoto in 2005. Over the course of the international debate, India and China have stepped up their roles as mouthpieces for developing countries and have argued for the natural ability of their markets to reduce CO₂ emissions. Simultaneously the wind energy market in both countries has witnessed a rapid rise under

Figure 2a Total Installed Wind Power Capacity in India**Figure 2b** Total Installed Wind Power Capacity in China

Source: GWEC (2015).

the protective wings of state regulation and public funding. The Chinese wind market took off in 2009 and reached the 100,000 MW hallmark in 2014. India could only manage a modest growth rate but still ranks fourth worldwide with 25,088 MW in 2015.

6. Indicators of the Legitimation Deficit by Air Pollution in India and China

As argued earlier, the challenge of structural changes and the result of legitimation deficits are rudimental to normative policy changes, such as the promotion of the wind energy market. Undeniably, the side effects of

economic exploitation in the shape of environmental pollution (Hajer, 1995: 32), such as CO₂ emissions and air pollution, reduce precisely such legitimization deficits. In the following pages, the following will be considered:

- (i) Internal legitimization deficit
- (ii) Exogenous pressure
- (iii) Results of institutional change in policy making

6.1. The Legitimation Deficit: Energy Demand for Emissions-rich Fossil Sources

Constant and impressive growth of the two markets has been accompanied by a rapidly rising energy consumption rate (IEO, 2016). China and India have the fastest-growing electricity industry in the world. Between 2005 and 2012, net electricity generation increased by an average 6.6 percent per year in India.¹⁶ In China, the current net electricity rate is constantly growing by 2.5 percent. In 2012, China consumed 4.8 trillion kilowatt-hour (kWh). And the trend will continue; the energy consumption rate is fed not only by economic growth but also by improving living conditions and the speedy spread of electronic devices such as smart phones, laptops, refrigerators and air conditioners. At the moment coal is the primary source of energy for the E-generation. In China and India, coal dominates energy production – constituting 75 percent overall in the former and 44 percent in the latter (IEO, 2016). Together, China and India account for 86 percent of the rise in non-OECD coal use and 70 percent of the total world increase in coal demand over the projected period (IEO, 2006). At the same time, coal has one of the highest CO₂ emission levels compared to other alternatives (World Bank, 2007: 19-20). Another issue is that as electricity demand has sharply increased in recent years, a widening gap

between coal demand and supply has emerged. There is strong demand in India and China for cheap coal imports from Australia (IEO, 2016).¹⁷

6.2. The Legitimation Deficit: Ongoing Urbanisation and Air Pollution

In China 56 percent and in India 33 percent of the total population live in urban areas and the rate is rapidly rising.¹⁸ Rapid urbanization¹⁹ has resulted in increasing numbers of automobiles and motorcycles²⁰, private stoves and industrial entities within small areas (Zhu, 2005; World Bank, 2007). Chinese and Indian megacities, such as New Delhi, Mumbai, Calcutta, Chennai, Shenyang, and Taiyuan have become famous for their poor air quality and unhealthy living conditions (Zhu, 2005: 123). Air quality has become an international indicator for measuring not only environmental protection but also quality of life.²¹ Every day the air pollution and smog threaten agriculture and economic production as well as the health of the citizens, and produce political distress (Zhu, 2005). According to the World Bank (2009), air pollution reduces the gross domestic product (GDP) by 3 percent in China and 1.7 percent in India every year. A study by the World Health Organisation came to the conclusion that more than 70 percent of the Chinese population and 660 million people in India were exposed to annual PM (particulate matter) 2.5 pollution levels higher than 35 micrograms per cubic metre.²² Studies of air pollution mortality by Cropper *et al.* (1997) in New Delhi and Xu *et al.* (1994) in Beijing have given evidence of a causal relationship between air pollution and mortality (Xu *et al.*, 1994; Cropper *et al.*, 1997). In 2009 alone, illnesses and premature deaths cost China about US\$100 billion, and a 2012 research by Tsinghua University found that for each ton of coal produced and used, damage to the environment and health added up to RMB (Chinese Renminbi/yuan) 260 billion.²³ An assessment of health damages from exposure to high levels of particulates estimated that up to half a million people die

prematurely each year as a result of the polluted air.²⁴ In 2012 smog killed an estimated 670,000 Chinese people. A recent study has estimated that the population of India will be reduced to 660 million in 3.2 years due to air pollution.²⁵ Millions of patients have been treated, which has increased the socio-economic cost of the healthcare system, and these people have lost the capacity to work (Xu *et al.*, 1994; World Bank, 2007). Another relevant point of departure in explaining the current change in the values and norms of decision-makers is provided by the agency theory. As argued by scholars of new institutionalism, government agencies have numerous mandates and their influence as well as priorities can change over time (Moe, 1984; Tirole, 1994). In India and China the steadily growing middle class²⁶ has become an economic pressure group in this issue, either through formal or informal channels. One main public concern of the middle class has been environmental protection and better living standards in cities.

6.3. The Legitimation Deficit: An International Agenda for Climate Change

In the late 1990s the economic success story strengthened the role of Beijing and New Delhi in the international community. This new self-esteem has materialized in the international debate on climate change in which India and China have assumed the role of mouthpiece for the interests of developing countries in realizing the emission goals dictated by industrial countries.²⁷ New Delhi and Beijing have had to face the fact that their countries have the highest CO₂ emissions among non-OECD countries and deadliest air pollution levels worldwide.²⁸ “Climate change threatens markets, economies and development gains”, the message of the Kyoto Climate Conference (Ban, 2009: 6)²⁹ has become a reality that India and China have to confront. In this context, the necessary change of perception in New Delhi and Beijing to accept the

internationally dictated goals³⁰ for long-term emissions reduction has been taken seriously. As a consequence, New Delhi and Beijing have issued various legislative and administrative instruments for initiating government-regulated rapid development of the domestic wind energy market and energy production. During the 21st Climate Conference in Paris (2015), India and China accepted and verified the CO₂ emissions reduction goals shortly before the conference in Marrakech (November 2016).³¹

6.3.1. Wind power in India: External events and internal policy outcomes

India's wind market is set to be the fifth largest annual market globally with a 5.8% share of the global market in 2015. In a cumulative performance India ended the year with 25,088 MW by adding 2,623 MW and passed Spain in the global ranking. Although wind energy has been around for a long time, the recent take-off in the late 2000s is closely linked to increasing public funding and published legislation for promoting the wind energy sector.

Still, India's wind energy market and foreign political ambitions have always been closely interwoven. In the first pioneering phase of 1981 to 1990 India's international status was the main driving force behind the initiation of the wind energy program. In an era when politics desires self-sufficiency, the two oil crises in the 1980s have been a dreadful reminder of the fragility of the closed economy to external shocks (Kohli, 2001). The political consequence also resulted, among other things, in research for alternative energy sources or renewable energy. The priority is visible in the fact that the government expanded the administrative framework by creating the Department of Science & Technology's Commission for Additional Sources of Energy (CASE) in 1981 and the independent Department of Non-conventional Energy

Sources (DNES) in 1982 to assess and formulate a coherent wind energy strategy. In 1984 the first wind turbine was tested, followed by a smaller program which was expanded during the seventh Five-Year Plan to the national level in 1986 and an official target of 20 GW (Mizuno, 2005).

The second phase (1991-2009) is again linked with the political changes and the partial liberalization of the Indian economy (Mizuno, 2005). In 1991, foreign political pressure for economic liberalization reforms was realized. In the course of partial liberalization, some industrial sectors, including the wind energy sector, were opened up for foreign investment and joint ventures. A consequence has been the privatization of the energy market, and in the eighth Five-Year Plan (1992-1997) an official target of 500 MW for wind energy through private sector participation was released. Private energy producers and renewable energy were heavily subsidized by the state (Loy and Gaube, 2002).³² In 2003 the state government released the Electricity Act of 2003 which combined earlier issued regulations and created the legislative foundation for state sponsorship of the wind energy market. In the following years again foreign political pressure for climate change was the impetus for state regulation and supply subsidies to enhance the share of renewable energy. The national government steamrolled through three relevant policies³³ based on the Electricity Act, offering higher tax-based benefits and tariff regulations for renewable energy. In the Bali Climate Change Conference in 2007, China and India argued against the proposal of harsh emissions reductions. In June 2008, Prime Minister Manmohan Singh released the National Action Plan for Climate Change, which is directly linked to the Bali statement that emissions production in the growing markets of the developing countries will slowly descend. Hence, New Delhi's plans to "identif[y] measures that promote our development objectives while also yielding co-benefits for addressing climate change effectively" and to issue a Generation-Based Incentive

(GBI) could not avert the upcoming break in the wind market in 2010 (GWEC, 2015).

In the current phase (2010-2015) the continuing high levels of CO₂ emissions and worldwide poor air quality in the megacities has put pressure on the government. In the Climate Summit in Copenhagen in 2009 and the even more important conference in South Africa in 2011, New Delhi agreed to a legal commitment for emissions reduction by 2015. Taking the modest growth of renewable energy seriously, its central government took action and prioritized the general output performance without taking the infrastructural and local institutional deficits into account. In 2010, the Central Electricity Regulatory Commission issued a complementary mechanism to allow less-endowed states to meet their RPSs through tradable Renewable Energy Certificates (REC). In fact, the policy pushed the installed capacity over three gigawatt (GW) and output performance jumped from 10,926 in 2010 to 13,065 MW/year in 2011.

In 2014 electoral change on the national level strengthened the political commitment for wind energy, issuing a new off-shore policy and leading to various acts to address structural deficits in the wind market. The newly elected government under Prime Minister Narendra Damodardas Modi has pledged to diversify the energy market and announced that it would install 60 GW of wind energy, which will be a challenge in the future. A milestone was the issue of tax-based Accelerated Depreciation (AD) in 2014, which offers 80 percent depreciation in the first year of installation or a GBI of INR (Indian Rupee) 0.5/kWh for at least four years and up to ten years.³⁴ Taking the structural issues seriously, the government appointed the National Wind Mission (NWM) to control the development and quality of off-shore as well as on-shore wind turbines. Along with the administrative act, the parliament passed the Electricity Amendment Bill of 2014 which

included an increased tax on coal for funding the National Clean Energy Fund.³⁵ In 2015 the government set up the Green Corridor Program with the objective of facilitating interstate transmission between the southern states and the national grid system (GWEC, 2015:54). A swift improvement of the grid system is essential for guaranteeing the long-term conditions for growth of the wind market. Only modest growth over recent years pressured the Indian Minister of New and Renewable Energy (MNRE) to take action. Shortly before the summit in Paris 2015, the MNRE officially announced that India is aiming to meet the target of 60,000 MW by 2022³⁶, continuing its strategy³⁷ of supporting steady growth and standardization, and addressing the infrastructural and quality issues with modest success. In November 2016 India attended the climate conference in Marrakech to discuss the implementation of the Paris Agreements.

6.3.2. Wind power in China: External events and internal policy outcomes

In 2009 China became the top market for wind energy production and crossed the 100,000 MW mark in 2014 – even for the flat energy market, China, in 2015, added an “*astonishing*” 30.8 GW capacity against all predictions (GWEC, 2015:21). The rapid and constant rise of wind energy is directly linked to the Chinese government’s public commitment and patronization, and the mushrooming wind energy industry.

The Chinese pioneering phase (1986-2000) started much later than in India. In the late 1980s the governmental pilot project was driven by the desire for an alternative energy source beside coal. In the late 1990s, the government accelerated the pace. In 1993, the Ministry of Electric Power issued plans for an industrialized wind energy program which was approved and implemented in 1994 on national level. The

subsequent pilot project under the authority of the Ministry (Li *et al.*, 2012) was the first stage. In 1997, the Ride the Wind Programme was announced by the Chinese State Planning Commission, which resulted in upcoming state tax-benefits and laid the foundation for the growth of the wind energy market.

The second phase of the wind market in China (2000-2007) has been characterized by state protectionism, fostering the spread of a private but domestic energy industry. Increasing global demand for the new technology as well as success of the pilot projects encouraged the state government to follow its strategy. However, the wind industry has been dominated by foreign companies, and therefore, to back up Chinese domestic start-ups, the government issued the electricity reforms which introduced market-based mechanisms as well as protectionism³⁸ for the domestic wind energy sector industry. In addition, its central government announced the Renewable Energy Law in 2006, which put pressure on the state-owned grid companies to use wind energy power. Following the implementation of the law, the number of domestic wind energy producers jumped from 40 to 70 in only one year. The installed wind capacity nearly doubled from 2,599 to 5,910 MW between 2006 and 2007. The 11th Five-Year Plan (2006-2010) laid out a national wind energy strategy for boosting future development.

In the third phase (2008-2015) China had to face increasing external and internal pressure around environmental pollution, particularly its worsening air quality.³⁹ Following the Bali Climate Change Conference in 2007, China argued for the natural decline of CO₂ emissions in its growing market. Pressured by its own argument and consistently high levels of CO₂ emissions, its central government readjusted earlier legislative and administrative decrees for improving the wind energy market. In 2008 the National Energy Administration was instructed to set up large-scale wind farms in seven provinces most suited for wind

energy production. A first glimpse of the policy strategy reveals the rapid increase in output performance, up to 25,805 MW/year in the same year (Martinot and Li, 2010). In 2011 China consented to an international legal agreement for emissions reduction. Despite the steady and high growth rate, the state announced another 83 new wind-based projects in 2012. Followed by another landmark, the abolition of the so-called “localization act” allowed turbine producers to reduce production costs by using cheaper imports (GWEC, 2012).

Shortly before signing the bi-lateral agreement with the U.S. for emissions reduction⁴⁰, the government reissued the regulations for FIT (Feed-In Tariffs)⁴¹ in the decree “Regulating the Wind Manufacturing Market” (Decree 412) in September 2014. The decree aims to regulate the wind energy market and ensure constant growth because the quality of the wind turbines and the grid system have been and will be the main obstacle for increasing the share of wind energy relative to the total energy capacity all over China.⁴² Hence, the wind energy market almost doubled its capacity from 75 GW in 2012 to 145 GW by the end of 2015, reinforcing China’s top position in terms of cumulative installed wind power capacity. So far, everything suggests that China will continue its state-controlled strategy to ensure the constant development of the wind energy market. Currently the government has set a new target of a whopping 250 GW by 2020 for the 13th Five-Year Plan.

7. National Strategy, Institutional Performance and the Local Wind Energy Market

Another argument for the relevance of institutional theory and its core assumption is provided by the close link between institutional performance and installed wind energy capacity on the sub-national level in both countries. India’s modest and regionally limited wind

energy growth accumulates evidence of the institutional determinants. On the national level, India's government evaluates relative lows in the category of long-term planning and bureaucratic capacity.⁴³ Despite the legislative initiatives, India's low institutional performance is illustrated in the fact that the Renewable Purchase Obligation and the dictated renewable energy goals for the union states are not enforced (GWEC, 2015:54). Its central government has handed down the responsibility to the local authorities and market forces with modest success.⁴⁴ Interestingly, the recent data on installed wind turbines and produced capacity shows that the union states (Tamil Nadu, Maharashtra, Gujarat, Rajasthan and Karnataka)⁴⁵ with the highest institutional and economic performance are the top producers of renewable wind energy at the same time (Mundle *et al.*, 2012).

In China the geo-political dimension of national policy-making seems to be the dominating one. The Chinese success story seems to be built upon long-term planning capacity⁴⁶ and a coherent national strategy in the shape of joint-venture pilot projects flanked by various pieces of legislation for stimulating local development of the wind energy market. Unlike India, local institutional performance⁴⁷ is less relevant. The Chinese national geo-political strategy includes state-initiated joint-venture pilot projects and substantial government interventions in the market, which are actually the dominant driving force. Therefore, the ten most productive provinces in terms of wind energy capacity are northern regions (Gansu, Xinjiang, Inner Mongolia, Ningxia, Shanxi, Hebei, Shandong, Yunnan, Guizhou, Jiangsu), which accumulated 76 percent or 82,149.22 megawatts in 2014 (GWEC, 2014: 40).⁴⁸

8. Non-Political Factors: The Economy and Innovation Potential

Environmental issues (Hajer, 1995: 32) and economic growth (Dryzek, 2005) are frequently argued to be the driving forces of innovative,⁴⁹ environment-friendly technologies. Following Pierson (1997) on the close link between international and domestic development,⁵⁰ it can be stated that output performance is closely related to the level of economic growth and trade openness. In this case, China has higher growth (World Bank, 2015) and more openness (KOF, 2015)⁵¹ than India.

Another assumption is that the innovation potential⁵² of the domestic market is crucial (Hall and Soskice, 2001: 38). Recent market studies⁵³ have accumulated evidence that when the innovation potential of enterprises (not the leading ones but with innovative sectors) is higher, so too is investment (Aghion *et al.*, 2002). The postulated theory finds good examples in China, where five companies⁵⁴ are dominating the market and hold 58 percent of the total share, and also in India where two companies⁵⁵ have obtained 57 percent of the market share (GWEC, 2015: 32).

9. Conclusion

In the presented analysis, evidence shows a strong correlation between domestic and international policy goals. The international perspective has illuminated economic theories that claim that innovation potential and economic performance relate to each other but are not explanatory determinants for the rise of the wind energy market. As argued throughout this paper, China's and India's current long-term ambitions to legitimate themselves on the international and domestic levels have been the main driving forces behind the government-regulated rise of the wind energy market. The older and newer versions of wind energy programs, which currently coincide in an era in which the cost of natural

resources is rising, still affiliate with a political agenda for independent energy marketing. In the context of slowly fading economic output performance, the legitimization deficit of environmental and in particular air pollution has pressured Beijing and New Delhi to formulate national legislation and strategies for encouraging the development of the wind energy market.

Undeniably, there is validity to the argument that the rapid rise of the wind energy market in India and China and its economic relevance since the late 2000s is directly linked to the political ambitions of New Delhi and Beijing to tackle the legitimization deficit of air pollution. In times of declining economic growth and increasing distress due to environmental pollution, the promotion of the local wind energy sector provides the government with an instrument to generate output legitimization on a domestic and international level by addressing the local issue of air pollution.

Notes

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1. See the *International Energy Outlook* (IEO) (2016: 71), which will be discussed at length in the following pages. The IEO refers to the U.S. Energy Information Administration’s (2016) *International Energy Outlook 2016*, which is available at <<https://www.eia.gov/outlooks/ieo/index.cfm>> (accessed 2nd September 2016).

2. India, which is the second largest coal user in the region, accounts for nearly half of the increase in coal consumption from 2012 to 2040, while China contributes less than one third. But China is the leading consumer of coal in the world, having used 76 quadrillion Btu of coal in 2012 (IEO, 2016).
3. The *Emission Report* (2015) estimated the largest producers of energy-related CO₂ emissions in 2015. In 2015 China accounted for around 30 percent and India for 6.5 of global CO₂ emissions that year. (Jos G.J. Oliver *et al.* (2015). *Trends in global CO₂ emissions: 2015 Report*. The Hague: PBL Netherlands Environmental Assessment Agency; Ispra: European Commission, Joint Research Centre.)
4. These issues and the level of air pollution will be discussed in detail in the following pages.
5. Literature on current autocracies has diagnosed a common input deficit in autocratic regimes (Kneuer, 2013).
6. How far the acceptance is based on normative or strategic thinking is less relevant. See Munck (1996).
7. Economic, social or political processes challenge the state in its ability to ensure orderly rule and legitimacy. See Kohli (2001).
8. Political instability discourages investments and productive economic activities.
9. In general, institutional change describes a positive process of adapting institutions and creating flexibility for decision-makers in adequately tackling challenges due to ability to utilize institutional and non-institutional instruments to adapt and modify strategies and outputs in the process. See Mitra (2006).
10. See also Theelen (2004).
11. These norms and values can either be self-generated by the political system through input dimensions and/or taken over from outside sources.

12. The model is based on the common agreement among comparative politicians on the causality of structural change and the need for effective and coherent policy-making to counter the negative effects, such as socio-economic inequality, decline of trust in the political system, and political and social conflict (Mitra, 2006).
13. Accordingly, for positive institutional change the shift in norms and values has to be defined as measurable and achievable goals, rules or obligations by decision-makers before institutions can convert these goals into policies and implement them effectively in society. See North (2007).
14. For instance, the enforcement of international environmental standards and regulations can heavily reduce the economic growth and surplus ratio, which is often a main pillar of the political regime's output legitimation.
15. In Asia, India ranks second, just behind China but far ahead of all other countries, such as Japan with 3,038 MW or Taiwan with only 647 MW (GWEC, 2015: 9).
16. International Energy Agency (2014). *World Energy Outlook 2014*. Paris, p. 235.
17. India is suffering from coal shortages due to mismanagement of the state-owned coal sector, which has been a main reason for the rising number of electricity blackouts in India. ("Second day of India's electricity outage hits 620 million" (by Hriday Sarma and Ruby Russell), *USA Today News*, 31st July 2012, available at <http://usatoday30.usatoday.com/news/world/story/2012-07-31/india-power-outage/56600520/1> (accessed 9th June 2016).)
18. See <http://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS> (accessed 9th June 2016)
19. New research from the McKinsey Global Institute expects this pattern to continue, with China forecasted to add 400 million to its urban population, which will account for 64 percent of the total population by 2025, and India to add 215 million to its cities, whose populations will account for 38

- percent of the total in 2025. The report is available at <http://www.mckinsey.com/mgi/our-research>.
20. 30 percent of the air pollution in Beijing and 70 percent in New Delhi is caused by exhaust emissions and particles of vehicles (see report below).
 21. Elizabeth C. Economy (2010). *The river runs black*. Quoted in “China’s blurred horizon”, *The Washington Post*, 19th September 2004, p. B01.
 22. The World Health Organisation (2016) has rated the PM 2.5 safety limit at an annual concentration of 10mcg/cubic metre, available at http://www.who.int/phe/health_topics/outdoorair/databases/cities/en/ (accessed 9th July 2016).
 23. The 260 billion yuan is made up of two parts: the health costs and the environmental damage caused by mining and transporting coal. (“670,000 smog-related deaths a year: the cost of China's reliance on coal – Smog killed 670,000 people in 2012, says mainland study on pollution” (by Li Jing), *South China Morning Post*, 5th November 2014. Available at <http://www.scmp.com/news/china/article/1632163/670000-deaths-year-cost-chinas-reliance-coal?page=all>, accessed 9th June 2016).
 24. The World Health Organization found acute respiratory infections among the most common causes of deaths among India’s children. The World Bank claims 23 percent of deaths among children are due to environmental factors such as polluted air and contaminated water. In China, 1.2 million people die every year due to pollution. The estimated cost of environmental degradation in China is 9 percent of its GDP, while it is 5.7 percent of GDP for India.
 25. http://www.epw.in/system/files/SA_L_8_210215_Michael_Greenstone_0.pdf (accessed 10th July 2016).
 26. It is estimated that roughly 500 million Chinese could enter the global middle class over the next decade. Following the tendency in 2030 around 70 percent of the projected population could be part of the middle class, which mostly live in urban areas. Compared to China, India’s middle class

is growing slower at around 50 million which are only 5 percent of the total population. In 2030 the Indian middle class will be around 475 million people. (Ernst & Young Global Limited, 2016).

27. See for instance the protocol of the conference in Bali 2007.
28. As illustrated above, the high level of CO₂ emissions and worsening air quality in the megacities have produced a legitimization deficit at the external and internal levels for governments.
29. The final report “Resilient people, resilient planet: A future worth choosing” (2012: 6) of the summit in Rio de Janeiro reveals a shift to environment-oriented policy-making on the global and national levels. (See: “Resilient people, resilient planet: A future worth choosing” (report of the United Nations Secretary-General’s High-Level Panel on Global Sustainability), New York: United Nations, 2012.)
30. See Annex I of the report.
31. See the report “Climate change policy & practice” of the International Institute for Sustainable Development, available at <<http://climate-iiisd.org/events/unfccc-cop-21>> (accessed 9th June 2016).
32. The Indian electricity market was privatized; foreign investment and domestic private energy providers were granted financial benefits, secured investment rates and tax reductions. In the following years the Ministry of Non-Conventional Energy Sources (MNES) guaranteed price certainties for renewable produced power for private actors. See: Loy and Gaube (eds.) (2002).
33. Based upon the National Electricity Policy (2005), the National Tariff Policy (2006) and the Rural Electrification Policy (2006). These three issued policies mainly aimed to regulate wind energy tariffs, quotas and procurement.
34. The report states (2014) that: “Wind power producers can either opt for preferential tariffs decided by the state regulator ranging from INR 3.39-6.50/kWh (EUR 0.04-0.08) or get tradable renewable energy certificates

(minimum price: INR 1,500/MWh, EUR 19.4/MWh; maximum price: INR 3,300/MWh, EUR 42.5/MWh) along with power bought at average power purchase cost (APPC) by the utility, which ranges from INR 3.0-3.7/kWh³ (EUR 0.03-0.04)". The taxation aims to stimulate investment but the government has announced cuts to the subsidies from 80 to 40 percent due to fiscal restrictions in the 2016-2017 budget (GWEC, 2015).

35. Tax on coal has been increased from INR 50 (EUR 0.65) to INR 100 (EUR 1.3) per tonne. See http://mnre.gov.in/file-manager/UserFiles/strategic_plan_mnre_2011_17.pdf (accessed 10th June 2015).
36. <http://mnre.gov.in/file-manager/grid-solar/100000MW-Grid-Connected-Solar-Power-Projects-by-2021-22.pdf> (accessed 8th June 2015).
37. In October 2015 it issued a new policy, India's Offshore Wind Policy, to promote offshore development.
38. The reform included the "localization act", which required that any installed wind turbine mainly consists of domestically produced components and material.
39. See the descriptive part above.
40. See Chinese Prime Minister Li Keqiang's statement on renewable energy and energy stratification in 2015 http://www.chinadaily.com.cn/china/national_16.html (accessed 2nd June 2015).
41. <http://www.gwec.net/china-introduces-offshore-wind-feed-in-tariffs/> (accessed 2nd June 2015).
42. The issues have been so far less effectively addressed by the state's decree and regulations, that is, the "Interim Measures for the Administration of Development and Construction of Offshore Wind Power" in 2010. The National Energy Administration (NEA) assumes that 15 percent of the wind power generated in 2015 has been wasted.
43. See the World Bank's Governance Indicators (2016), available at <http://info.worldbank.org/governance/>.

44. In 2014 none of the 28 union states could reach the dictated targets (GWEC, 2014, 2015).
45. In 2015, the majority of wind farms were built in Rajasthan, Madhya Pradesh, Maharashtra and Andhra Pradesh (GWEC, 2015: 54).
46. See the World Bank Governance Indicators, *op. cit.*
47. World Economic Outlook Database April 2016, available at <<https://www.imf.org/external/pubs/ft/weo/2016/01/weodata/index.aspx>> (accessed 2nd June 2015).
48. In 2015, the picture is still the same; the top five provinces were Xinjiang, Inner Mongolia, Yunnan, Ningxia and Gansu, accounting for 53.3 percent of the country's overall installations. While Yunnan is not located in the North, the main reason for the increase in output performance has been the initiated pilot projects.
49. While invention refers to the existence of new technology and/or optimization of older production methods, innovation is associated with the spread and use of new technology by an actual user group. As argued, the existence or availability of technological know-how is insufficient for any prognosis on the innovation potential of a country (von Hippel, 2005).
50. Paul Pierson (2001: 98-99) argues that "it is important to recognize the linkages between international and domestic developments...such links are likely to be more modest, complex and bi-directional than is commonly suggested".
51. See <<https://www.kof.ethz.ch/de/indikatoren/globalisierungsindex>> (accessed 1st June 2016).
52. See the innovation potential index developed by Cornell University. (*The Global Innovation Index 2015: Effective innovation policies for development*. Ithaca, Fontainebleau, and Geneva: Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO), 2015.)

53. Studies have accumulated evidence that in a market where entry is free but a firm has leadership, the firm will act more aggressively than any firm in a competitive market (Etro, 2008).
54. These are Goldwin, Guodian United Power, Mingyang and Envision.
55. The two main actors are the international branch of the Gamesa World group, the Gamesa (India), holding 37 percent, and Suzlon, which owns 20 percent (GWEC, 2015). See <<http://cleantechnica.com/2015/03/13/gamesa-retains-top-position-indian-wind-energy-market>> (accessed 9th September 2016).

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Policy Comments

The Dialectic Characteristics of Policies for Asia-Pacific Regional Relations⁺

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Abstract

The regional relations within the Asia-Pacific are essentially reflecting a stage for powers to exercise their individual influences. States employ their own strength to echo the themes advocated by the international powers and international organizations in order to introduce their influences for balancing the attempt conducted by the powers for changing the power structure. To establish and shape the regional relations in the Asia-Pacific is basically based on the Asian-Pacific policies of states within or outside the region. All these policies and regional relations as well as the power structure itself is dynamic thus keeping it in development all the time. To well perceive the interest calculation of the Asian-Pacific policies for various states and the principles followed for policy adjustment from this dynamic development process is indeed worthy of further observation. This paper would like to introduce Hegel's dialectic principles of unity of opposites, transition from quantity to quality and negation of the negation as the tools to observe the Asia-Pacific state formulating their regional policies

and by so doing to interpret the rules for them to adjust these policies. As the national interests may extend across various aspects, states therefore need to consider all these factors in order to make the best judgment for the political calculations of their external policies. Precisely based on the plural characteristics of the national interests, there is definitely no absolute friendly or foe relation in dealing with the regional relations. The co-existed competition and cooperation within the framework of the unity of opposites is specifically reflecting such dialectic thinking. By the same token, states adjusting their regional policies must respond to the realities of the power structure accordingly. Yet, the eco-political strength for various states keeps on changing. The commercial activities are gradually evolving and accumulating the variation scales so that eventually overthrowing the previous power structure is fundamentally in line with the rule of transition from quantity to quality. The contradictory movement between the existing norms and the objective realities is more vividly signifying the value of employing dialectic rules to examine and to interpret the power transitions and evolutions of the regional relations in the Asia-Pacific region.

Keywords: *power, regional relations, unity of opposites, transition from quantity to quality, dialectic principles*

1. Introduction

The economic development performances of the Asia-Pacific states are relatively more promising than the global average in recent years. Moreover, many nations within the region have put their efforts into economic development and improving the infrastructure as well as associated software and hardware facilities; thus the competitiveness of their economic systems and private sectors also growing

correspondingly. Consequently, the interactions with neighboring states for all nations in the region are becoming much more intense than ever. Nevertheless, many previously suspended disputes are meanwhile emerging to be the core issue of the international relations within the region.

Considering that the Asia-Pacific states are getting more enthusiastic in managing regional relations, it is naturally worth adopting a suitable framework for further observation. Although the individual value judgment and political calculation will be taken by various nations to deal with the interactions among the neighboring states within the region, and there may inevitably appear a mathematically stochastic character, yet, after appropriate conclusion, it will still eventually follow a set of certain rules to conduct these activities.

There are always rules for tracing issues that have ever occurred in the world. Nevertheless, the animosities created by different understandings and various interpretations can be drastically huge. Based on the observation on the evolutions of the Asia-Pacific states coping with the regional relations, we may conclude that all the states may follow the three logics of “*insisting on differences but engaging pragmatically with the ‘unity of opposites’ principle*”, “*exercising realistic policy adjustments with quantity change to quality change rule*” and “*disregarding history and overturning alliance with negation of negation dialectics*” to handle the regional relations with other states. While the conceptualized value framework on the international affairs for different parties may not be necessarily completely consistent, nonetheless, the three logics just noted above should be a sufficient reference framework to observe the future development in the Asia-Pacific region. The author would like to introduce these three logics in the following paragraphs.

2. Insisting on Differences but Engaging Pragmatically with the “Unity of Opposites” Principle

The differences among neighboring states in the international community are less relevant to whether the people in these nations are homogeneous or heterogeneous in ethnicity. While the Asia-Pacific states are widely scattered in a complicated environment that crosses various geographical sectors with huge differences in climate, hydrograph and terrain, many adjacent nations still possess certain level of homogeneity in many aspects. Nonetheless, such similarities in natural conditions or socio-cultural background may not necessarily guarantee a favorable condition to manage neighborhood relationship.

Although many neighboring states in the Asia-Pacific are extremely similar in life styles and custom, yet, like other corners of the world, they also fail to escape from the geographical curse that the most hated enemies are literally the nearest neighbors. Therefore, Japan and Korea in the Northeast Asian region may still be trapped in an unsolved hatred caused by the historical rivalry though their mentality and *modus operandi* is literally so similar if judged by distant unrelated parties. Comparable conflicting detestation may also exist between other pairs like England and Ireland, Spain and Portugal, or Ecuador and Peru.

Hence, we may conclude that similar natural and socio-cultural conditions in the Asia-Pacific region cannot guarantee the neighboring states' calm and peaceful interactions. Apart from the case between Japan and Korea already noted above, after examining the relationship between Vietnam and Laos, Thailand and Cambodia, Thailand and Myanmar as well as Indonesia and Malaysia, we may also discover many territorial disputes and historical disagreements still lingering among these brother-like neighbors. Nevertheless, these differences may not be so significant as to terminate their mutual interactions into an extent of entire separation.

If we compare those neighboring states with much wider gaps in basic social styles, custom and culture, such as Thailand and Malaysia, the Philippines and Malaysia as well as Indonesia and Australia, or even cases like Japan and Russia or Indonesia and East Timor, in fact, there are also numerous territorial disputes and potential tensions. Some are originated from cultural suspicion or religious distrust. Others involve hatred sentiments caused by previous conflicts. However, the mutual interactions among these states have never been totally terminated though the animosities remain in existence.

Why the states in the Asia-Pacific region may follow the “unity of opposites” principle to insist on the differences as the premise while maintaining relations of mutual interaction with other states in the region conducting pragmatic engagement schemes is simply achieved by the following several factors. First, the differences and disputes among these states already exist for a long period of time and the likelihood of solving these issues within the foreseeable future is extremely doubtful. Yet, judging from the content of the disputes and the significance of the objective, their implications may not immediately affect the survival of any state or race.

In other words, viewing from the appearances of these disputes, their postures can be very sensational. All the political figures facing these issues may speak harsh statements and show strong and non-yielding positions. Nonetheless, as we calculate the sphere of relevance or coverage of substantial impacts, it may not essentially touch the core interest that is affecting the survival of any state, not even reaching the level of vital interests that are possibly concerning the daily life of the general public. The reason why states may suspend these disputes is virtually based on the results concluded from political calculations.

Hence, unless states are forced by the demands of their internal political consumption to need to adopt some external issues, these

disputes will not be addressed again. Of course, these issues may be necessarily adopted by the governing authorities of these states. Opposing parties or individual political figures may also use them to gain political leverages by questioning the leadership in power. We therefore must notice that these animosities and disputes sometimes may turn out to be domestic political issues but these may by no means represent the overall true policies of the specific state. Understandably, should any state fail to reach a policy consensus on these matters among ruling authority and opposing parties, it is factually impossible to make any decisive decision immediately on these already long existing disputes.

Second, the mutual interests among various states may also produce alleviation and cooling effects on those animosities and disputes so as to allow them to insist on these differences but meanwhile engage pragmatically and consequently justify the “unity of opposites” dialectic principle. Contents of the relations between nations are very complicated. A sophisticated relationship network is basically composed by connections in various aspects and dimensions. Although the fundamental animosities and disputes should be the core issues in the mutual relationship, yet, for different communities within the states, to maintain a mutually beneficial interaction but avoid challenging the fundamental principles accordingly may still be understandably accommodated and socially accepted.

As there are mutual interests that exist among nations, or alternatively, these states need to consolidate their collective efforts towards more imminent and urgent crisis and challenges, in terms of national interest calculation, it is a quite rational option for these countries to suspend animosities that cannot be immediately solved. During the Cold War era, given the rivalry between east and west blocs, there are many states and political factions that need to comply with the

international agendas settled by the powers by temporarily suppressing their own differentiations and existing uneasiness. Even the powers themselves could be driven by the mutual interests to disregard numerous fundamental animosities or conflicting history and conduct politically reshuffling power games in the international community according to the dialectic “unity of opposites” principle.

The most obvious case in the Asia-Pacific region is the United States helping Japan recover from the war during the Cold War era in order to be a vital chip for containing the Soviet Union. Further, that the United States so eagerly drew Beijing to her side and established diplomatic relationship to balance the Soviet Union is the solid evidence that the mutual interests were significant enough for Washington to suspend the memory of hatred left from the conflicts with the People’s Republic of China on the Korean Peninsula and Indo-China region. The frictions and struggles on the trade issues between the U.S. and Japan coexisted with their military alliance relationship at the same period of time. Moreover, a long-lasting clash on various fundamental values between Beijing and Washington does exist; nevertheless, the substantial economic and commercial interactions and exchange activities on various aspects are practiced in a parallel pace. It again reveals that the mutual interest is the inevitable basis to assure the dialectic “unity of opposites” rule.

The basic animosities of the territorial disputes for the Asia-Pacific states were never alleviated after the Cold War. However, all these states still need to face numerous unconventional threats as the territorial disputes remain in existence; various mutual cooperation schemes are developed to tackle these common challenges. Given the reality of the co-existence of the disputes and cooperation, it literally elaborates that the interests may prevail on the animosities and justify the dialectic “unity of opposites” rule. For instance, the disagreements on the

utilization of the Mekong River water resources do occur among Mainland China, Thailand, Laos and Myanmar, yet, as comparing with the importance of safeguarding the waterway transportation within the Mekong River drainage basin, a routine collective patrol mechanism is still established.¹ This arrangement was driven by an unfortunate incident that happened several years ago. This is the reason why these states are not hindered by the existing disputes but instate, establishing a cooperative mechanism to deal with the common threats.²

As for the case of the Malacca Strait which has a notorious reputation of piracy activities, all its surrounding states including Malaysia, Singapore, Thailand and Indonesia may also surrender their individual persistence and prejudices to establish a collective patrol mechanism in Malacca Strait known as MSP, Malacca Strait Patrol.³ This mechanism is essentially designed for counter-piracy and counter-terrorism activities within the associated waters. It contains several sophisticated operational systems including MSSP, Malacca Strait Sea Patrol, EiS, Eyes-in-the-sky, and IEG, Intelligence Exchange Group. It further proves that states in the Asia-Pacific region managing their mutual relationship follow the dialectic rule governing the nature of existing opposite matters but may still achieve unity.⁴

For the complicated situation containing disputes on territories and waters together with independence movements tangled with various fractions but where collective patrol missions are still achieved, the most significant case should be the joint maritime patrol mission conducted by the Philippines and Malaysia in the Sulu Sea.⁵ Similar case of suspending political differences and cooperating for proceeding with anti-terrorism mission is achieved by Indonesia and Brunei in Sulu-Sulawesi Seas.⁶ Of course, while Mainland China and Vietnam will stalemate for territorial disputes around the Paracel Islands, both states may still conduct joint patrol mission in the waters of the Tonkin Bay at

the same moment.⁷ Although neither side will retract from their individual positions on the South China Sea dispute, yet, they may still sincerely fulfill the associated law enforcement agreement in the waters where the demarcation disagreement is already solved.⁸ Perhaps the most shocking recent example is the Philippines' President Rodrigo Duterte personally expressing his expectation to invite Mainland China to patrol international waters though the dispute in the South China Sea was only played down and never firmly settled yet.⁹ We may conclude that the mindset of managing case by case and avoiding tangling them together may suitably support the dialectic "unity of opposites" rule. Should various disputes be mixed up and antagonism insisted on, then the space of adopting the "unity of opposites" mentality for reaching compromise will be considerably squeezed.

This is exactly the same reason why the Republic of China and Japan may suspend the territorial dispute as a premise and successfully signed a fishery agreement around the Diaoyutai waters.¹⁰ As noted by a Foreign Affairs Ministry, ROC, publication – *“Both parties also consented to the inclusion of the ‘without-prejudice clause’ to ensure that the provisions of the agreement do not undermine the ROC’s position on and interpretation of international law regarding its sovereignty and maritime claims, affirming its firm and consistent position on its sovereignty over the Diaoyutai Islands.”*¹¹ – it is obviously indicating that a territorial disputes does exist in the waters near Diaoyutai Islands (釣魚台列嶼). Nonetheless, it is necessary to separate this agreement from the dispute in order to acquire an opportunity to reach a mutually agreed consensus and eventually an agreement, whilst remaining in opposite positions on the territorial dispute for both sides. Likewise, while the political rivalry and disputes across the Taiwan Strait (臺灣海峽) have not been totally settled, both sides nonetheless conduct joint maritime search and rescue exercises.¹²

If viewing from the agreements ever achieved, commercial interactions and cultural exchange across the Taiwan Strait, the characteristics of the unity of opposites is even more obvious.

Last but not least, we should consider the factor of intervention by powers and regional organizations that may effectively condition the crises so as to produce an environment that may accommodate all parties who could insist on their animosities, yet meanwhile engage constructively, thus complying with the dialectic “unity of opposites” principle. As states in the international community manage the corresponding relationship with other nations, they need not only to calculate the gain and loss of interests for both sides but also to consider the response and level of acceptance probably shown by the third parties as well as the possibility of triggering other fractions’ interventions. This is similar to the fact that while the major factor of deciding whether lovers may marry or not should be their own commitment, perspectives and expressions from parents, relatives and peers should also be the factors to be considered. As such, the international powers and regional international organizations may have the privileges to influence and facilitate the interaction relationship among states in the same region.

Since there is neither general and multi-aspect regional international organization in the Asia-Pacific region nor any regional collective security mechanism like the North Atlantic Treaty Organization (NATO), the efficacy of the international organization in managing animosities and antagonism among member states as well as integrating differences and conflicting perspectives is therefore essentially less explicit. However, surveying the influences possessed by the Association of Southeast Asian Nations, South Asian Association for Regional Cooperation, Gulf Cooperation Council, Commonwealth of Independent States and Pacific Islands Forum, it can be seen that they may more or less exercise their influences and effectively contain tension and conflict

among their member states. And for other functional regional international organizations such as Asian Development Bank, Asia-Pacific Economic Cooperation, Eurasian Economic Community and Shanghai Cooperation Organization, they may have the capacity to integrate and to alleviate disputes and differences in specific aspects.

As long as the member states are still willing to participate in the activities within the international organizations though they may not necessarily totally agree with certain resolutions, it may at least prove that these international organizations can exercise appropriate functions to ensure these members to keep engaging with their adversaries in dispute, with a status that even if they may not be completely satisfied with but remain acceptable to them. Comparing with the description of insisting on animosities but engaging pragmatically, an acceptable but not satisfactory situation is essentially elaborating the consequences that the dialectic “unity of opposites” rule may eventually create. In fact, compromise may avoid resulting in conflict. On the other hand, it in essence keeps away from the crisis of a reshuffle on the structure of international relations.

Powers may also effectively contain and reconcile tensions among nations in the Asia-Pacific region. The United States, Mainland China and Indonesia have all played before the role of arbitrator that hope to mediate many cases of conflicts and disagreements between states and their corresponding belligerent groups. Although these efforts might not be necessary to produce substantial institutionalized agreement relationship, it may still promote mutual communication and understanding with positive effectiveness. However, in some cases, intervention by powers may not create leverage but on the contrary may trigger adversaries’ suspicion of other sides intentionally introducing powers to support their positions. This may lead to the hardening of the existing stances, thus squeezing the spaces for negotiation and

reconciliation. Hence, as the powers manage these relations, it is necessary to assess whether their credibility can be respected by those parties concerned; otherwise, it may produce counter-productive results.

Alternatively, powers may also take the act of omission to let those nations concerned understand that certain actions by them will never acquire support and recognition. Further, the final results of these actions will not be accepted by these powers, and hence they may exercise certain level of condition effect. Basically, either actively involving in arbitration and negotiation or expressing objection to stop any side to act unilaterally, it is essentially a tussle of interest between the powers and their alliances and the animosities represented by the adversary states. Should they fail to let the states concerned understand the gain and loss in the process, then they subsequently cannot reach the end of containing and reconciling disputes and differences.

In summery, states in the Asia-Pacific region may follow the dialectic “unity of opposites” rule to manage their mutual relationship. They may engage each other pragmatically with a premise of insisting on animosities. It is caused by various factors noted above. Nevertheless, regarding how it was produced by any specific factor it is hard to find a set of perfectly fair deciphering criteria. After all, the interests presented or possibly produced by alleviating or weakening disputes and animosities, the mutual interests promoted and enhanced by encouraging cooperation and exchange as well as containing frictions by adopting international factors and mechanism at the right timing may further fulfill such relationship structure of unity of opposites. As for the contrast of security structure and economic interest within the Asia-Pacific region generally perceived in recent years, we may not need to address the abovementioned elements, but instead also need to further survey the rule of exercising realistic policy adjustments with “quantity change to quality change” rule in the next section.

3. Exercising Realistic Policy Adjustments with “Quantity Change to Quality Change” Rule

Although the power structure of international relations may superficially appear to be stable in status in certain period of time, it is in essence a dynamically developing structural relationship at all time. The power itself is fundamentally multifaceted and various aspects are intertwined thus creating influences. Although power is categorized into soft power, hard power or even smart power in recent years, yet, regardless of its external features, power eventually needs to influence the thinking and action of the specific objectives. Power is still aimed at the expected target as the final destination which is expected to act to follow our will.

As indicated by the abovementioned “unity of opposites” principle, there is a pragmatic orientation as well as the flexibility to accept the consequence after reconciliations for the Asia-Pacific states in managing their external policies. Given the consideration of the evolving nature of power generally occurred in states employing various powers which may lead to either accumulation or consumption, it is then quite natural for states to adjust their level of relationship and engaging measures with specific actors according to the variations of their positions in the international political market. There is no permanent winner in the international society. It is the general practice for fluctuations to appear in the power relationships generation after generation. Strictly speaking, it is a mandated trend for states to adjust their external policies in line with the realities of the substantial power shifting. Nonetheless, the essential fact is that this trend inevitably follows the rule of “quantity change to quality change” in its operation.

The fact that states in the Asia-Pacific region adjust their external policies necessarily in a step-by-step mode is because the process of

policy alteration is constrained by many factors. Among them, there are three most significant factors. First, the policymakers need to sustain continuity and stability in policy by avoiding unexpected radical overturn and sudden revision. They therefore rely on this process of “quantity change to quality change” by shaping the objective environment in advance to prepare favorable conditions for fulfilling the subjective expectations. After this, their policy adjustment will subsequently be revealed so as to reduce the shock and impact usually associated with the policy alternations. Coming events cast their shadows before them as we always know. Indications always appear before policy alternations. It is impossible to keep anything perfectly concealed in international politics.

Second, the international environment and internal political practices will condition the policy adjustment process to follow certain existing rules. External environment is constrained by both alliances and adversaries. Particularly, as the policy adjustment may possibly affect alliance relationship, it is necessary to conduct the policy step by step and to communicate with alliance states for elaborations. As the timing has eventually matured for shifting the stage of quantity change to quality change, it may precede the significant policy adjustments in regional relationship. The same philosophy may also be applied to the substantial practices in domestic politics. Either prior-programming the policy-associated legislative engineering or communicating to reconcile with various political fractions is essentially excluding the severe political resistances in taking the eventual quality change measures. As for the general public and private sectors, this process may allow them to grasp the coming alternations and to prepare the corresponding adjustments in advance, thus facilitating them to reduce related losses.

Last but not least, objectives targeted by the adjustment of the regional relationship policies may also need to be prepared for matching

with these policy alternations. The process from quantity change to quality change fundamentally facilitates these targeted states to program their own corresponding measures in advance. By so doing, it may reduce the duration needed for both sides to match their new relationship after the policy adjustment moves into the quality change stage. Hence, for many seemingly drastic transformations in relations among the Asia-Pacific countries, all parties have actually already engaged each other behind closed doors. It is necessary to go through the process of communication and reconciliation, and even the economic and commercial engagements and cultural exchanges also become daily practices; eventually, the surprising political or diplomatic breakthrough may superficially occur in the last stage. Before completing the relationship normalization process between Beijing and Washington, both sides had already installed the liaison offices; the establishment of the diplomatic relationship subsequently was only a matter of date and the scale of its impact naturally could be dramatically decreased.

Based on the multifaceted nature of power that is affecting Asia-Pacific states' regional relations policies, therefore, in observing the final quality change in policies regarding political and diplomatic relationship, it needs to expand the scope to cover other power dimensions with the characteristics of quantity change to quality change. Predominantly, the commercial and trade engagements as well as cultural exchanges are the vital driving forces for producing regional relationship policy adjustments. Especially, after the World War II, Japan started its post-war economic recovery, and subsequently, the four newly industrialized states followed a similar track. Later, Mainland China embarked on its economic reform and open policy, and there was the economic boom in India and ASEAN states. The overall economic landscape was reshaped. Accompanied by the rise in economic strength, culture exports of corresponding states also acquired significant growth.

Alternations and transformations of the power structure also appeared in the whole soft power aspect.

Hence, all the Asia-Pacific states and all international powers involved in the regional activities will follow the power landscapes that appeared in various aspects to modify and to adjust their external policies for managing the regional relations. As such, while power structures in various aspects may mutually influence each other, the developments of power structures for specific aspects can be conditioned by external interventions or self-constraints. Consequently, the same paces of development may not necessarily appear in all power aspects at the same time. This is the reason why there are certain mismatches between economic, commercial or military strength and the political positions. For this reason, from a power structure transformation in specific aspect to derive an expectation which may lead to alternations in other aspects is in essence not inevitability. Therefore, nations getting rich may not definitely strengthen their military forces, as it still depends on the objective environments and subjective aspirations to create such demands.

For instance, Japan recovered from the World War II in a very swift pace. Later it became a world-class power in economy, commerce and trade. In the dimensions of technology and culture, Japan is also considerably influential. Nonetheless, given the humiliated historical record of militarism, it is very cautious in military activities including overseas deployment and force employment. All policy adjustments and modifications in this field are conducted with relatively low profile and even quite concealed. However, after many years in the stage of quantity change, in the term of the second Shinzō Abe (安倍晋三) cabinet, many existing policies and restrictions on military activities were abolished. All these policy alternations are aggressively adopted even with the risks of violating constitution. Whether this trend can be defined

as the development into the quality change stage is essentially worthy of further discussion and interpretation.

But in the case of Japan, in its stage of self-constrained military activities, its military force developments and armament establishments still follow the quantity change model of gradual progresses, not a total suspension or comprehensive stagnation. Meanwhile, it has employed massive financial supports as the capital in diplomacy and been actively participating in international conferences as well as initiating many tasks to establish international judiciary mechanisms. Nonetheless, these efforts basically should be elaborated in seeking quantity change in other aspects or corresponding measures for accumulating political capitals and operational energies before the eventual quality change for breaking the restrictions noted by the article nine in its constitution. Again, this tendency is also worthy of further observation to certain extent. Yet, how to prove that all these policy efforts in different dimensions may have the capacity for mutual support and coordination will be the most solemn challenge to political commentators and military observers.

As a matter of fact, the same “quantity change to quality change” model can also be applied to Mainland China, South Korea and ASEAN states. However, certain variances may still occur since the strategic environments encountered by various states and the subjective political aspirations of their individual political masters are quite different. Policies for managing regional relationship in the international community principally value patience and all issues would naturally prevail after all conditions have become mature. We may be aware that the stage transition from quantity change to quality change literally needs to match the conditions that exist in the realistic environments accordingly.

As for the dialectic rule of “quantity change to quality change” on regional policies, it is obligatory to point out that the progress of

developing transformation might not necessarily match the objective realities. Whether policies would be adjusted according to realities is sometimes not decided by the matter of substantial interest scale but by the decision-makers' level of grasping and apprehending the objective situations. The decision-makers may misperceive the reality of the world which is simply hindered by their own subjective prejudices. These discrepancies of perception may produce a situation of favoring the private sectors to lead the policy adjustment far before the government agencies. Private enterprises may take the lead and the governmental policies will follow to match their measures subsequently. Given the character of rigidity of institutions in governmental policy alternations, their operations may not be as flexible as those of private enterprises and any individuals. This is also the general practice of the Asia-Pacific states in handling their regional relationship. It may not be surprising in creating differences in the progress of policy adjustment.

4. Disregarding History and Overturning Alliance with “Negation of Negation” Dialectics

The bloc structure formed by nations adopting alliance scheme in order to secure national interests and safeguard national security is a popular policy alternative in recent history. States in the Asia-Pacific region virtually cannot be excluded from this trend either. Nevertheless, alliance relationship represents a grouping driven by interests. Hence, although from the historical point of view, some states may have certain deep hatreds hard to dissolve among them. On the other hand, certain alliance relationship may still last for a long period of time in history. Regardless of how deep the previous friendship could be or how serious the existing hatred was, in facing the calculus of interest, the pragmatic demands for survival will inevitably override all these historical residual

sentiments. All states dropping their historical linkages and freeing themselves from these entanglements of past passions should be the unavoidable option under the realities of international politics.

Following the insistence on differences but engaging pragmatically with the “unity of opposites” principle noted earlier, integrating it with the concept of exercising realistic policy adjustments with the “quantity change to quality change” rule, together with disregarding history and overturning alliance with the “negation of negation” dialectics is introduced here for adopting as the final norm for interpreting how Asia-Pacific states handling their regional relations policies. Several drastic fluctuations do happen in the Asia-Pacific alliance relationship, and the tracks for these developments and transformations all follow the tracks of “unity of opposites” and “quantity change to quality change” in development. However, the flip-flop of the alliance phenomena discussed and analyzed here may not be the solemn and formal alliance treaties but in the nature much flexible alliance relationship. Likewise, in terms of the history, it only implies the historical transition status within a certain period of time but not the historical long river covering thousands of years; otherwise, no meaningful discussion can be engaged.

In the past one hundred years, several cases of policy alternations of the regional relationship had occurred among the Asia-Pacific states. These include the United States-Japan alliance after the World War II, and the downturn of China’s Communist regime and the Soviet Union from their honeymoon stage to become major rivals who later reached a dramatic reconciliation. United States betrayed its ally in Taipei and turned to embrace Beijing but after the Cold War, based on its strategic calculation, Washington has treated the Communist China as the potential adversary again. United States had fought with the North Vietnamese in the battlefield before. But after many years, as needed by the strategic demands, both sides surrender their ideological differences

and reestablished relationship. The Philippines declined and resisted the U.S. forces stationing in its territory but later considered re-accommodating their deployment. Nonetheless, this attempt was again changed dramatically after the inauguration of President Duterte. Vietnam, Laos and Cambodia were involved in conflicts for years but eventually still reached compromise to some extent. Myanmar was isolated for many years but was nevertheless accepted by the ASEAN which became the major supporter for its reentry to the international society. All these events that negated the previous history and changed completely the alliance relationship may vary in scale and depth; however, the facts reveal that there is no permanent alliance in international relations but only the political realities of everlasting interests.

For these developments which appear to be sudden policy turnings but in reality accumulated relationship adjustments, we should have the following awareness. First, we should consider why such a periodical transformation is needed for symbolic declaration, i.e. restarting by formally negating previous relationship structure is essentially necessary in politics. In fact, the political posture for the international regional relations policies is merely an open recognition of existing *fait accompli*. All practices of substantial relationship should be already in order and subsequently to conclude the process and ceremoniously publicize it to the international and domestic society. Meanwhile, all associated legal engineering will also be engaged.

In contrast, many events in the international society without the basis of a gradual political transformation as previously noted but in the category of improvised actions, which would not have the capacity to overthrow any standing power structure, would completely return to the origin points after these events with no shifting effect on the regional relations. For instance, two summits between the two Koreas have no

structural variation effect on the substantial practices of the inter-Korea relations. The framework of interactions between these two sides has never been overturned by these summits but only certain trivial developments were achieved as a consequence. These cases failed to follow the previous rule of “quantity change to quality change” for power structure transformation is the fundamental reason for these results. Neither had they ever unified the conflicting relationship on the opposite dimensions but only forcefully sought for breakthrough with no reason thus reversing the order of the causes and the consequences.

Second, while many would believe that the powers may have higher degree of freedom in choosing policies in handling regional relations, these powers dominating alliance relationship in fact may also be constrained by the same power structure. They therefore need to conclude and to declare future relationship development and regional power structure at specific points in time in order to facilitate all its following alliance states to prepare corresponding arrangements in their individual domestic politics. By so doing, the latter may provide coordinated operations in line with the regional relationship power structure directed by the powers and avoid losing tracks and thus hindering operation. Therefore, Tokyo taking the lead to establish formal diplomatic relations with Beijing before Washington, though not being a total surprise, would still make the United States who generally directed the alliance feel surprise and unpleasant which subsequently became a potential factor to cause frictions in the relationship between these two states.

Last but not least, for those objectives directed by the regional relationship policy adjustments, concluding previous relationship for restart by a formal declaration, though it is merely a recognition of existing facts, as a process through unity of opposites, quantity change to quality change and producing negation of negation is simply a

declaration to admit that both sides are already reaching a certain level of understanding. Therefore, in developing relationship, they would rather mutually compromise to achieve such an eventuality. This political posture may indicate that it is still necessary to take care of the formalities in appearance after grasping tightly the substances. It is indeed not only a necessary operational process for all states related but also a key timing for completing the reshuffling of relationship.

The capability of cutting historical entanglements and reestablishing alliance linkages is literally indicating forgiveness and accommodation as well as the unwillingness of staying at historical settlements. For the political leadership, how to communicate with the general public with accumulated and steady patience in order to let them understand and agree to give in the historical hatreds for supporting the adjustment of alliance relationship is simply a wrestling between political communications and social indoctrinations. Basically, those more authoritarian regimes are much more capable of dealing with these political challenges. In contrast, the democratic societies are fundamentally plural. It is hard to integrated opinions of the general public in appearance. Yet, whether it is as difficult as it seems to be is hard to determine. The possibility for it being smoothly managed may still depend on a case-by-case basis.

However, for the cases in the Asia-Pacific, there are also many homogeneous nations which may have the history of political rivalry but with the communication and exchange channels in their civil societies conducted with no hindrance at all. This may provide relatively wide operational space for suspending animosities and adjusting alliance relationship. For example, territorial disputes do exist between Cambodia and Thailand, and yet, given the fact that both sides are Buddhist societies, the space for improving relationship remains quite vast even though there are political disagreements. Likewise, in the case

of the bilateral relationship between Malaysia and Indonesia, these two countries would have the same leverage since both of them practice Islamic religion.

Nonetheless, on the contrary, in the cases of the two Koreas and two Chinas, the homogeneity of these two pairwise societies is unquestionable. Those who seek political integration will naturally emphasize the common historical heritages. But those who would like to retain their separation status will keep looking for animosities and magnifying the interpretations of these features. All the objective facts after being converted by political propositions will naturally create distortion. Nevertheless, judging from those cases that have appeared in the Asia-Pacific region, all the relationships and features of other dimensions may only be the important factors to decide on whether states may cut the historical entanglements and adjust alliance relationship but they have no position to be the only factors to dominate the decision-making process. The final decision still depend on the political decision derived from measuring interests and calculating gains and losses.

5. Conclusion

This paper focuses specifically on the policy selection by the states in the Asia-Pacific region in handling their regional relations by adopting Hegel's dialectic rules to observe their actual conduct performances and political operations in order to provide references for those who are engaged in regional relations research. The concept elaborated by this paper is very straightforward. These dialectic rules are to be adopted to provide a more convenient reference framework for studying the interactions of various actors in Asia-Pacific regional relations or the overall international society. No matter how authoritarian or dictatorial

the political regime of each state or society is, it may not reveal the plurality of political perspectives in appearance. Nonetheless, by disassembling a society, we will naturally discover other social dimensions that may not be necessarily conditioned by politics as to lose their own logic and motivations in their practices. Simply due to the multi-layered and multi-dimensional structure of the society, states handle their diplomatic relationship chiefly by taking politics as its main theme, and thereby may insist on differences but engage pragmatically with the “unity of opposites” principle.

Likewise, given that the dissimilarities of the interest relations may vary in different layers and various dimensions but may contain the capacity of mutual influence, in comprehensively considering individual interest whilst the national decision-makers are processing regional relationship policies, they virtually adopts the concept of “quantity change to quality change” for complying with realistic conditions to adjust policies in order to safeguard the national interest. Finally, as the conditions become mature and allowed by the environment, they would follow the “negation of negation” dialectic track to terminate history for the purpose of transforming alliance relations.

Notes

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**Independent Planning System and Public
Administration in Metropolitan Development:
Agglomeration Strategies of Greater Chaoshan in
Southern China**

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Abstract

This paper examines independent planning system as a means of public administration in regional economic development. It proposes a new strategy based on the theories of public administrative resources, to agglomerate and unify the cities of Shantou, Jieyang, and Chaozhou into a new administrative entity as a metropolis with the status of

independent planning and the preferred policies of a Special Economic Region to lead regional development. The optimal allocation of public administrative resources has played a key role in the fundamental economic development in China in recent years. The new administrative system of large cities (metropolises) with independent planning has become an innovative format to utilize the renewable soft resources of administration, which in fact is a new attempt to reform the economic system by the Chinese government. The greater Chaoshan area needs to be agglomerated and unified to further develop the regional economy with the implementation of independent planning system. The current research conducted from a practical and political point of view is of significant value to the overall planning and strategic layout of the economic and social development of the whole eastern Guangdong region.

Keywords: *agglomeration, independent planning, greater Chaoshan area, public administration, administration resources*

1. Introduction

The issues of public administration effectiveness have increasingly gained prominence in the macro-economic situation in most developed countries (Buleca and Mura, 2014). At the same time, regional development strategy and public administration has been one of the hottest topics among the Chinese scholars in recent years. Government administration actually involves institutional changes regarding governance. Institutional change is a process that reshapes an administrative district's original institutional arrangements and restructures interest distribution patterns. Different stakeholders play the game to maximize their own interests through the process, which will

ultimately lead to new institutions-agreements formation as the result of various related factors coming into play. The games involve relationships between different ideas of governance and between the central and local governments, as well as among local governments (Jin, 2007). Public administration is part of a wider sustainability culture change movement and is widely recognized as an environmental leader, advocating to other levels of government. As such, public administration plays a central role in adopting sustainable initiatives (Strengers, 2004; Williams *et al.*, 2011).

Recently, the Chinese central government announced that in order to further enhance the growth of the national economy it will let market power play the decisive role in allocations of production resources. The government also called on people to accept and understand the new normal in Chinese social and economic development. The core characterizations of the new normal have put forward challenges to government administration given the fact that the Chinese central government's new policies prefer market power to administrative power in allocations of production resources. However, letting the market play a decisive role in determining resource allocation does not mean removing public administration but rather means enhancing its role in policy decision-making at the upper level. Government administration has played a pivotal role in deepening economic reform, which, in turn, is conducive in improving the economic and social environment (Kerlinová and Tomášková, 2014; Zhang and Bai, 2015).

Public administration, comprising evidence-based policy and the results agenda, has become ubiquitous among policymakers in recent years (Taylor, 2014). It is significant to explore the plight and methods of public administration in the background of the new normal to form strategies to enhance governance capacity in terms of public administration, and to innovate modern technology for public

administration, and to actively build the implementation mechanism at the top level design and to restore the system of the core ethical values in government administration (Zhang and Bai, 2015). In the context of regional economic integrative development, local governments should adjust policy and institutional arrangements, transform government functions, and carry out the evolution of governing notions and methods, transferring from administrative-region management to regional public administration (Liu, 2010).

On the other hand, “resource” as an important concept in economics can be defined as the aggregate input effectively creating output in any economy. In traditional economics textbooks, land, capital, labor, and entrepreneurship are listed as the most fundamental resources for production (Hausman and McPherson, 1996). However, in broad terms, any material, energy and information which may be used to produce benefits in a foreseeable period can be categorized as a resource. As such, we argue that public administration functions as resources in economic development, which is supported by the fact that the Greater Pearl River Delta has gained substantial benefits because of effective regional government administration behind the economic development, which was termed as the foreign coordination model of regional economic development (Zheng, 2007).

Resources are characterized by effectiveness and scarcity. Starting from the meaning and basic characteristics of resources, we argue that the forces and operations of public administration, also termed as public administrative resources, are essentially an effective economic development resource, on the basis of which the management and administrative subject maintains or changes the specific social administrative and public administration system and order (Jin, 2007; Zhou S.P., 2004). Public administrative resources refer to the aggregation of the material and spiritual factors supporting the existence,

operation and development of the public administration system. Public administrative resources come from two elements of the administrative system: the structural element, which is termed the static framework of the existing system, and the process element, which is termed the administrative operation track of the system (Easton, 1989: 492).

Public administrative resources mainly include the government agencies of a country or a region concerning the administrative environment, administrative organization, leadership, legislation, enforcement, finance, supervision, and culture, as well as their economic functions and activities. As the principle of political economy implies, public administrative resources mainly act to develop social productivity, mobilize and reasonably distribute all the other resources to develop social economy, cultivate and maintain a stable, fair, democratic and harmonious social environment, promoting the consistent improvement of the level of people's material and cultural life. Moreover, adaptation to continuous change also brings the view of administrative development more closely in line with economic analyses of the impact of changes in the economy. Economic changes in global-local balances do not leave administrative resource intact (Bennett, 1997).

Public administrative resource is a broad and comprehensive concept which may not be directly measurable, while administrative management is measurable and single, making it an important parameter measuring the abundance of public administrative resources within a country or a region (Tian and Dai, 2012). Administrative management is a scarce administrative resource for developing countries, and how to realize its optimal allocation is an issue confronted by both Western economics and socialist resource economics (Yang and Pu, 1998: 10). The government should focus on providing public goods and services, giving play to the core and fundamental role of the market in allocating

resources systematically and institutionally. Leave what can be done by the market or the intermediary organization to the market or that organization, with the remaining done by the government (Yu, 2005). The advantages of China's public administrative resources are mainly reflected in the formulation and perfection of laws and regulations as well as effective intervention in the market economy by the government (Tian and Dai, 2012). Moreover, it is crucial to distinguish between the "environment of administrative institutions" and "arrangements of administrative institutions", but the institutional factors that represent barriers for the efficacy of other factors influence economic development (Rodriguez-Pose, 2013).

The logic behind China's rapid economic development within the last 30 years is a common topic of interest for economists. China's economic reform started from the late 1970s and early 1980s when the reallocation of public administrative resources changed the incentive structure in the economic system to improve efficiency and promote economic growth (Shi and Zhou, 2007). Theoretically, as a central administrative resource allocated to local government, independent planning has had a positive effect on the economic efficiency of cities in many aspects. For instance, local government is able to make use of the public administrative resources allocated to formulate strategies more appropriate to the local conditions, thus improving economic efficiency and social welfare. After the power is delegated, the cities may make decisions at their own discretion without referring to the provincial government, significantly enhancing administrative efficiency.

The reduction of management levels can facilitate information transfer, and further, facilitate quick and accurate economic decisions. The municipal government may allocate resources efficiently, so overall economic efficiency will improve with the implementation of independent planning. In addition, fiscal decentralization motivates local

governments to create wealth. Meanwhile, with the incentive of local official promotion, the delegation of economic power may be better used to promote the development of the local economy (Zhou L.A., 2004). Finally, from the rent-seeking perspective, the delegation of power, especially economic administrative power such as investment approval and foreign trade, lowers the regulatory levels and reduces the regulatory agencies, decreasing the cost of rent-seeking by the cities from superior governments, ultimately increasing social welfare (Shi and Zhou, 2007).

In modern China, independently-planned cities are most distinctly characterized by a budget directly linked to the central government, which will be divided between the central and local finances without payment to the provincial finance. Such an independent planning system undoubtedly adds renewable public administrative resources to the economic and social development of cities with independent planning, which will evidently yield more rapid development compared to their prior performances under the action of increased public administrative resources (Chen and Zhao, 2011).

The greater Chaoshan (潮汕) area consists of three cities, namely Shantou (汕頭), Jieyang (揭陽), and Chaozhou (潮州). Shantou leads the economic development of the east Guangdong (廣東) region and is the economic hub of the greater Chaoshan area; Jieyang is well known as the “jade capital of Asia” and “Chinese hardware base” (“中國不銹鋼製品之鄉”); Chaozhou is a famous hometown of overseas Chinese (“華僑之鄉”), the main export base of China ceramics (“中國瓷都”) as well as a historical cultural ancient city. Moreover, Shantou is among the earliest of the coastal cities to have been established as a special economic zone since China’s reform and opening up. Unfortunately, compared to other cities which have established special economic zones at the same time, such as Shenzhen (深圳), Zhuhai (珠海) and Xiamen (廈門), Shantou has not achieved

the same level of development. Currently, Shantou not only lags behind these cities in terms of its hard power, but also lacks a matching soft power, thus suffering from the resulting troubles and losses during development (Tian, 2011).

Examining the greater Chaoshan area, in order to revive its economy, the agglomeration of the three cities is a necessary choice second to none to make the best use of public administrative resources and maximize the effects of optimal resource allocation on economic development. Agglomeration economies are a broadly relevant phenomenon affecting many industries. There is heterogeneity between industries (Strange, Hejazi and Tang, 2006). José Lobo and Deborah Strumsky (2008) found that agglomerative features of metropolitan areas are more important determinants of metropolitan patenting productivity. Marius Brühlhart and Federica Sbergami (2009) discovered that the consistent evidence supporting agglomeration boosts gross domestic product (GDP) growth to a certain level of economic development. In addition to the agglomeration, as the current research demonstrates, for the greater Chaoshan area, implementing independent planning is especially important in accelerating the development of its soft power, to effectively mobilize and integrate its surrounding administrative resource advantages to develop a new unified public administration system.

Centering on Shantou, the greater Chaoshan area should develop from an economic circle with one central city into a large economic circle with several central cities, and further into a large economic belt of cities. The implementation of independent planning will use public administrative resources to strengthen mergers and cooperation between enterprises, or expand enterprise scale by inviting investment, ultimately realizing the objective of releasing economic development vitality. Moreover, Shantou should give full play to its comprehensive

advantages of being a SEZ, a port, having much commerce and a favorable location, and the city should improve its internal and external openness, promoting reform, development and innovation (Zheng, 2011). There are especially insufficient larger industrial enterprises in Shantou, and the scattered small enterprises are unable to confront the fierce external competition. Therefore, as to the greater Chaoshan area, besides increasing internal funding and consolidating industries, external funding and technology introduction are also necessary. Independent planning has a significant effect in absorbing foreign direct investment (FDI), with the FDI per capita 1.5 times higher than if independent planning does not exist. It has been confirmed that domestic investment is indeed stimulated by inward investment (Deiffield and Hughes, 2003).

2. Dynamics of Independent Planning System in Economic Development

Resource allocation is one of the most fundamental issues studied in economics and public administration. Under China's existing public administration system, establishing cities with independent planning is a natural economic outcome according to the objective law that the production relation must conform to productivity. The administrative system of independent planning can raise the levels of the greater central city area and important coastal cities in the national macroeconomic management and economic system, strengthening the functions of key cities who participate in macroeconomic management, such that they are free from the traditional economic management system based on administrative blocks and levels. Although the evidence supports the perspective that decentralization improves economic efficiency, the agglomeration of connected administrative regions can also contribute to enhancing economic development (Shi and Zhou, 2007).

During its reform and opening up process in the recent past four decades, China has rapidly entered into the global market system by integrating the independent planning mode into the opening-up strategy, along with institutional reform and innovation, importing and exporting resources in large quantities (Fu, 2013). It is remarkable that the average GDP growth rate of those cities with independent planning system is roughly 5% higher than that of the national GDP growth rate (Zhang, 2014). As a method of effective government administration, independent planning system is an original form of exploiting public administration resources which is playing an irreplaceable role in the development of China's socialist market economy, and is characterized by streamlining administration and instituting decentralization as well as rectifying economic relations. Below, we will further probe the dynamics of independent planning system as a means of public administration in regional economic development.

2.1. Radiation Function as the Regional Economic Center

Urbanization has been a key element in the process of development (Bairoch, 1988). Urban areas generate 85% of GDP in high-income countries (World Bank, 2000), and the degree of urban concentration has positive impact on economic growth (World Bank, 2003). The formation and development of the economic circle of urban agglomeration pursue the following law: an economic circle with one central city develops into a large economic circle with several central cities, and further into a large economic belt of cities. Evidences show that there are dynamic gains from statically oversized cities, while agglomeration and urbanization is the engine of growth (Bertinelli and Black, 2004).

Along this line scholars put forward a new perspective of a comprehensive observation of regional and urban economic resource

endowments in order to make a reasonable strategic choice for regional and urban development (Li, 2011). Urban and regional development studies tend to focus on urban areas as the drivers of innovation and growth, with surrounding areas cast in a passive, residual role (Ward and Brown, 2009). Indeed, in China, independent planning significantly impacts economic efficiencies within and outside the province. Cities with independent planning absorb a domestic investment per capita of 940 yuan / 元 (RMB, 人民幣) more than their counterparts outside the province, and nearly double that of their counterparts in the province. Similarly, the difference in FDI per capita is around 1.5 times greater (Shi and Zhou, 2007).

In China, the Yangtze Delta economic circle (長江三角洲經濟區), with Ningbo (寧波) as the economic center of the south wing of Yangtze Delta, has become the sixth largest metropolitan economic circle in the world. The northeast economic zone (東北經濟區) centering on Dalian (大連) has also developed through economic model transformation and plays a positive role; the Western Straits Economic Zone (海峽西岸經濟區) centering on Xiamen is now starting to take shape; the Pearl River Delta economic circle (珠江三角洲經濟區) surrounding Shenzhen is growing increasingly; and Qingdao (青島) has also developed into the core of the Bohai Bay economic circle (環渤海經濟區). Cities of the Pearl River Delta and the Yangtze Delta all are ranked among the top ten in the comprehensive evaluation of urban economic benefits, while for the Bohai Bay, only Beijing (北京) and Dalian are ranked among the top ten (Wen, 2011). The economic development of the Bohai Bay is currently at a stage of strong polarization, with each central city enjoying a higher degree of economic aggregation.

2.2. Connecting Link at the Meso-economic Level

The macro-economy covers the whole national economy, while the micro-economy, based on the essential unit of economic operation (consumer and producer), is at the fundamental level of the large national economic system. However, regional economic agglomeration plays an increasingly integral role in the regional and the international economy at the mesoeconomic level. The “intermediary” nature of the mesoeconomy determines its functions of coordinating the operation of the macro- and the micro-economy, not only in executing and extending macro-control, but also centralizing and guiding micro-management (Yuan, 2003). As a typical representative of industry and business aggregation, cities with independent planning are based on the overall goal and the industry classification policy of the central government, focusing on economic structure regulation, guiding the development direction of economic behavior of enterprises mainly by economic interests, and optimizing industrial structure, product structure and enterprise organization, ultimately to improve the competitiveness of industries.

It is suggested that the metropolises with independent planning have dominated the links of industrial economic development in China since 1990s (Deng, 2004) because spatial proximity is a positive force for economic growth (Martin and Ottaviano, 1999). Baldwin and Martin (2004) stress that due to the result of localized spillovers spatial agglomeration is favorable to regional growth. Krugman and Elizondo (1996) suggest that given the fact that domestic transactions are growing in importance and shorter distances can lower the cost of transactions, agglomeration matters more to closed economies than to open ones. Conversely, Markus Brückner (2012) suggests plausibly that exogenous shocks that differentially affect the return in the agricultural sector have a significant effect on the rural-urban migration decisions in Africa.

Meanwhile, there exist mutual restricting and promoting market mechanisms in addition to the allocation of public administrative resources in the economic circles of urban agglomeration. During different stages of its development, the agglomeration of economic and public administrative resources is dynamic. When public administrative resources match the market mechanism, the administrative mechanism will organize and promote economic resources as well as promote the development of the regional economy. Otherwise, the administrative mechanism will impede the development of the regional economy.

Accordingly, we argue that in the specific regional economic space, a corresponding allocating mechanism of public administrative resources is necessary to eliminate administrative barriers and to unify the regional economy. Otherwise, the smooth flow of economic resources is impossible and advantages between cities may not be complementary (Liu and Meng, 1999). The optimal allocation of public administrative resources realized through independent planning not only enforces the central leadership of the state in the economy, but also vitalizes local economic development, helping to organically combine planning uniformity and market flexibility, both macro- and micro-controlled.

2.3. Rational Productivity Distribution and Coordinative Development of Urban-Rural Areas

As the regional center and the joint point of industrial and geographical division of labor, cities with independent planning are both safe places for economic activities, and a form of economic organization with a function of organizing and managing the economy objectively. Such cities play a special role in realizing rational productivity distribution and the coordinated development of urban-rural areas. In the urban industry competitiveness ranking, telecommunication equipment

manufacturing is a significantly advantaged industry in Shenzhen which has developed an industry aggregate with national competitiveness and higher gross value added. In Qingdao, transportation equipment manufacturing has higher industrial competitiveness and evident market advantage, occupying a national market share of 2.2%. Petroleum processing, coking products and nuclear fuel processing is the most competitive industry in Dalian, Qingdao and Ningbo, with Dalian superior to Ningbo, and Ningbo superior to Qingdao. The financial sector is ranked first in Ningbo, Xiamen and Shenzhen with market and fundamental advantage, playing an important role in supporting and serving the rapid development of key sectors such as service and manufacturing industries. As to the service industry, Shenzhen is the most competitive, followed by Qingdao, Dalian, Ningbo, and Xiamen (Lei and Fu, 2012; Lei and Fu, 2015).

In short, with a series of advantages including connecting links, central radiation, rational productivity distribution and coordinated development of the urban-rural area, independent planning system is an effective measure to comprehensively develop and utilize public administrative resources as well as an agent which promotes the rapid development of regional economies. Consequently, the implementation of independent planning is an effective way to significantly promote the macroeconomic development of a city.

2.4. Empirical Analysis of the Effect of Independent Planning on Economic Development

Independent planning has enabled the economic development of certain cities in modern China to benefit from the combined effects of increased public administration and increased administrative resources. Since the independent planning of Chongqing (重慶) in 1984, there once were 14 cities with independent planning power. However, the number of these

cities has been decreasing since 1994, leaving only five (Dalian, Qingdao, Ningbo, Xiamen, Shenzhen) remaining. These five cities have developed rapidly after implementing independent planning, which has increased the GDP per capita by around 9.13% alone, clearly exceeding the annual national GDP growth rate, implying that the effect of independent planning on GDP per capita is larger than other conventional factors. The capability of absorbing domestic and foreign investment, urban infrastructure, regional radiation and regional influence are greatly improved after implementing independent planning system (Shi and Zhou, 2007).

Moreover, the competitiveness of a city is also substantially enhanced, as shown by comprehensive factor analysis of the economic benefits for 36 provincial capitals and cities in China with independent planning. Shenzhen is ranked first, Dalian second, Ningbo third, Xiamen eighth, and Qingdao eleventh. Meanwhile, Shenzhen enjoys obvious economic benefits due to its leading role, and scored highest for its resident living and industrial factors, followed by Xiamen (Lei and Fu, 2015; Sun, 2001; Wen, 2011). Based on previous studies (Shi and Zhou, 2007), this paper further examines the effect of independent planning by using GDP per capita as the dependent variable, and using the fixed assets investment per capita and the population of a city at the end of the year as control variables. The cities selected include five cities currently with independent planning, i.e. Xiamen, Shenzhen, Dalian, Qingdao and Ningbo, three cities removed from independent planning in 1994, namely, Xi'an (西安), Wuhan (武汉) and Nanjing (南京), as well as Chongqing which was removed in 1997. There are nine cities in total. Table 1 presents the descriptive statistics of key variables for major cities in China.

Table 1 Description of Main Economic Variables for Major Cities in China

Variable	Sample size	Mean	Variance	Min.	Max.
GDP per capita	223	2676584	23562.35	357	115356
Fixed assets investment per capita	223	165.46	195.23	0.38	812.56
Population at the end of the year	223	927.18	935.56	68.65	3452.36

Note: Data collected from RoyalFlush software.

Table 2 Regression Results for Cities with Independent Planning System

GDP per capita	Coefficient	Standard deviation	P value
Log of fixed assets investment per capita	0.6568	0.0150	0.000
Log of population at the end of the year	0.0048	0.0325	0.856
Existence of independent planning	0.1538	0.0635	0.011
Constant	5.1854	0.2835	0.000

The data in this research is updated until 2015 with *Assumption A*: independent planning has a significant effect on GDP per capita. In particular, based on previous studies, this paper suggests: with the perfection of market economization, the market ability to allocate resources tends to be stable, and economic development is slowing down, and relatively speaking, the government's ability to regulate and control the market is increasing, which means the effect of public administrative resources allocation on economic efficiency increases. As a result, *Assumption B* is developed: the effect of independent planning on GDP per capita is larger than previous studies. Table 2 shows the specific results for the cities with independent planning system.

The final results show that independent planning has a significant effect on GDP per capita ($p=0.011$), implying that the reallocation of public administrative resources caused by independent planning has indeed greatly improved overall economic efficiency. At the same time, according to the estimation of updated data, the public administrative resources increased by independent planning system contribute about 16.07% to the GDP growth of each city, larger than the contribution rate (9.3%) of previous data, which is in line with *Assumption B*.

3. Economic Advantages of the Greater Chaoshan Implementing Independent Planning

3.1. Agglomeration of the Greater Chaoshan and the Necessity of Independent Planning

The Guangdong provincial party committee and provincial government attach great importance to the development of the greater Chaoshan area, and it was clearly pointed out that the goal was “to accelerate the development of the urban cluster in eastern Guangdong centering on Shantou” in the tenth party congress of Guangdong province, thus

establishing the regional strategy of developing the greater Chaoshan area with a focus on Shantou. Chaoshan in eastern Guangdong has historically enjoyed important strategic development. After the 18th National Congress of Communist Party of China (CPC), Guangdong provincial development strategy has identified further the strategic position of eastern Guangdong, which is the important provincial economic growth pole, a key portal to the outside world, a demonstration area for marine economy development and a characteristic city agglomeration suitable for living and working. In the Economic Development Program of Eastern Guangdong (EDPEG), it is suggested that as of 2015, the GDP of eastern Guangdong should reach 598 billion yuan with annual increase rate above 13%; the GDP per capita would be 34150 yuan. Meanwhile, the infrastructure, and people's living and the ecological environment will be further improved. At the same time, the EDPEG determined downtown Shantou as the center and Chaozhou, Jieyang and Shanwei (汕尾) as sub-centers, and the level of town development would be raised to construct a characteristic brand-famous city, and the agglomeration of "Shantou-Chaozhou-Jieyang" would be promoted to form an urban circle, realizing coordinated development of the urban cluster in eastern Guangdong.

It is clear that the three cities in the greater Chaoshan area have distinctive characters and respective advantages and disadvantages. Shantou, for example, is an important bridgehead of cross-strait cooperation and a hub connecting the Western Straits with the Pearl River Delta, possessing comparative advantages in cross-strait cooperation and cooperation between the Western Straits with the Pearl River Delta. Furthermore, Shantou is one of the central cities in the Fujian-Guangdong-Jiangxi economic cooperation zone (閩粵贛經濟區) with a unique "double platform" advantage, creating a favorable environment for the modern service industry development in

Shantou. High expectations have been placed on Shantou with more responsibility for driving regional development.

However, economic and social development of Shantou also faces serious challenges, such as its mismatching public administration and public administrative resources along with an unfavorable economic location, as well as unbalanced public administrative resources and economic social development, which are negative constraints to the long-term development of Shantou. We argue that independent planning as the means of effective government administration is an operational solution that can bring the potential of Shantou Special Economic Zone (SEZ), a city with convenient information and active commercial trade, to full play. Moreover, given the fact that Shantou is similar to certain cities with independent planning system, such as Xiamen, it is practical to implement independent planning in Shantou and later extend that system to the whole Chaoshan area, which will strongly contribute to the overall development of the agglomerated greater Chaoshan area.

Starting from the new strategic thinking of independent planning, the current economic aggregate of the greater Chaoshan area is much higher than Xiamen, equal to 1.24 times that of Xiamen and the permanent resident population is 3.8 times larger than that of Xiamen. As shown in Table 3, the economic development strategic position is as favorable as Xiamen; moreover, the strategic position of the regional economy will exceed that of Xiamen to a considerable degree after the integration of the greater Chaoshan area. As a result, upgrading the integrated Shantou new special economic zone to a city with independent planning is practically feasible and has decisive strategic significance in the economic and social development of the whole eastern Guangdong region.

Table 3 Economic Data Comparison of Selected Cities in 2015

City	GDP (100 million yuan)	GDP growth rate	GDP per capita (yuan)	GDP per capita growth rate	Permanent resident population (10 thousand)
Shantou	1850.01	8.71%	33494	7.84%	552.37
Jieyang	1890.01	6.15%	31315	5.44%	603.54
Chaozhou	910.10	7.05%	33455	6.72%	272.04
Greater Chaoshan	4650.12	7.12%	33083	6.67%	1427.95
Xiamen	3565.00	7.00%	99455	8.22%	367.00

Note: Data collected from the statistical information websites of each individual city.

Eastern Guangdong is an important development pole of the province, and the greater Chaoshan area is the traditional political, economic and cultural center of eastern Guangdong, leading the development of eastern Guangdong in terms of the urban construction scale, economic aggregate, urban living environment, supporting infrastructure as well as education, health and culture. However, there is still much room for improvement. Tables 3 and 4 show that annual economic growth in the greater Chaoshan area is 10% to 16%. With the addition of the additional 3% to 6% brought by independent planning, it can be expected that the socioeconomic development of Shantou will experience radical changes in the following 20 years.

Table 4 GDP and GDP Growth Rates of Chaozhou-Shantou-Jieyang

Year	Shantou		Jieyang		Chaozhou	
	GDP (100 million yuan)	GDP growth rate	GDP (100 million yuan)	GDP growth rate	GDP (100 million yuan)	GDP growth rate
2015	1850.10	8.71%	1890.01	6.15%	910.10	7.05%
2014	1701.81	8.68%	1780.44	10.91%	850.20	8.95%
2013	1565.90	10.67%	1605.35	16.32%	780.34	10.46%
2012	1415.01	0.82%	1380.15	12.57%	706.47	9.53%
2011	1403.44	16.09%	1225.86	21.43%	645.00	16.46%
2010	1208.97	16.71%	1009.51	23.70%	559.24	9.61%
2009	1035.87	6.27%	8160.92	12.68%	480.18	17.51%
2008	974.78	14.67%	7242.33	23.59%	438.08	16.24%
2007	850.10	15.29%	5859.93	22.03%	372.80	13.57%
2006	737.38	13.21%	4802.22	16.00%	320.72	12.06%
2005	651.36	7.88%	4139.96	7.31%	282.39	13.85%
2004	603.76	14.57%	3857.80	7.44%	252.01	10.40%
2003	526.97	9.07%	3590.69	7.31%	221.36	6.15%
2002	483.16		3346.08		200.51	
Mean		11.39%		15.48%		12.35%

Note: Data collected from the statistical information websites of each city.

3.2. Economic Advantages of the Greater Chaoshan Area

As aforementioned, the greater Chaoshan area includes Shantou, Jieyang and Chaozhou. Shantou, as one of China’s five special economic zones, has been developing at high speed in recent years. Jieyang is located at

the Chaoshan plain in southeast Guangdong and borders Shantou to the east. Chaozhou, renowned as the “jade capital of Asia” and “China hardware base”, is a famous hometown of overseas Chinese and an important tourism city as well as a main export base of Chinese ceramics. Further, its wood carving technique is one of China’s two woodcarving systems. Table 4 shows the GDP and GDP growth rates of these three cities from 2002 to 2015.

Take Shantou as an example: Shantou’s GDP has increased 47 fold and its urban area has expanded over 20 times its original area during the past 30 years; the general budget revenue of local finance has been raised more than 50 times with annual rate of 15.7%. The urban per capita disposable income in Shantou has increased at annual rate of 8.1%, gradually forming an economic pattern which features the coexistence and competing development of different types of ownership, and has preliminarily established an economic system suitable for the export-oriented development of the special zone. By 2016, the GDP of Shantou was reported to be over 260 billion yuan annually, and per capita GDP was reported to be 45200 yuan annually, slightly exceeding the economic levels of moderately developed countries. The “12th Five-year Plan” of Shantou sets an economic growth rate of 20% over the following five years as a goal, which is a very challenging one without special economic growth measures. The following discussion involves the efficient use of public administrative resources, which is the focal strategic direction studied by the researchers.

Shantou, Chaozhou and Jieyang, originally belonging to greater Shantou, have a natural basis for cooperation as to humanity, geography, society and economy with close governmental and non-governmental contacts and economic cooperation. The Planning for National Major Functional Zones explicitly identifies Shantou as the central city in eastern Guangdong, promoting the agglomeration of Shantou-Chaozhou-

Jieyang. The Development Planning for the Western Straits Economic Zone highlights a development led by Shantou and supported by Chaozhou and Jieyang, thus facilitating the urban agglomeration of Shantou, Chaozhou and Jieyang (*Shantou Daily* 5th edition special reports, 2012). The Reply of the State Council on Expanding the Shantou Special Economic Zone (State Council, 2011) also explicitly requires Guangdong and Shantou to be prepared for the overall planning after expansion. According to the intensive and creative development principle, the “industrial distribution” planning should be implemented to “work hard to shift the model of economic development”, thus “promoting the sound and fast development of the eastern Guangdong region”.

Currently, Shantou, Jieyang and Chaozhou, considered as individual economic entities, each owns specific positions in the greater Chaoshan area. As the leading city in the agglomeration of the greater Chaoshan area, the position of Shantou in the regional development pattern is further underlined; Jieyang and Chaozhou also find their future development directions and even their positions in the overall national economic development under the development idea of agglomerating the greater Chaoshan area, shown in the Table 5 (Lin and Peng, 2011).

4. Public Administration Resources and Development in Greater Chaoshan

Above all, we argue that Shantou should become agglomerated with Chaozhou and Jieyang, seeking the approval of the central government to agglomerate three cities into a new administrative region which will be covered by the favorable policies and legislative power currently possessed by Shantou SEZ, thus expanding the economic advantage of Shantou SEZ to make the whole greater Chaoshan as a SEZ with

Table 5 Development Orientation and Industry Positioning for the Four Cities in Eastern Guangdong (Chaoshan)

	City orientation	Development Strategies	Industry positioning
Shantou	Develop into the central city of eastern Guangdong region, a modern port city and ecological coastal city.	Vigorously develop modern service industry, enhance the aggregation and radiation function of the regional central city, build the commerce, finance, information, technology, education and culture center of eastern Guangdong.	Accelerate the development of port-centered industries such as equipment manufacturing, ship repair and manufacturing, petrochemical processing and modern logistics. Prioritize the development of emerging industries including new material, biological medicine and culture creativity, transform and upgrade traditional advantage industries as textile and clothing, crafts and toys, electronic information and printing and packaging.
Jieyang	Develop Shanhai commercial city according to the requirements of “water city in eastern Guangdong”.	Vigorously develop airport logistic industry by virtue of Jieyang Chaoshan airport.	Accelerate the construction of large petrochemical, large equipment manufacturing and energy projects, with a focus on heavy chemical industrial base. Prioritize the development of traditional advantage industries as hardware and stainless steel, mechanical equipment manufacturing, pharmaceutical and jade processing.
Chaozhou	Develop into a famous historic and cultural city and modern riverside city with significant domestic and international influences.	Develop and grow cultural and tourism industry.	Prioritize the development of biological environment protection, fine chemicals, warehouse logistics, optimize and improve traditional specialty industries as ceramics, food, hardware and aquatic equipment, develop an important and characteristic industrial base in Guangdong.

independent planning and sub-provincial authority of economic development management. Based on the above strategic thinking, we propose to develop and adjust the public administrative resources of the greater Chaoshan area in the following aspects.

4.1. Enhance the Development of Soft Power

Kroenig *et al.* (2010) argue that the term “soft power” is entrenched in the theory and practice of American foreign policy,. Scholars have not yet developed, or empirically tested, a theory about the conditions under which governments can use soft power to their advantage – and that makes effective policy especially difficult to design and implement. Combined with independent planning, an investment and positive migration policy should be introduced. We also suggest that educational development and personnel training should be prioritized. Shantou SEZ has only one university, Shantou University (汕頭大學), and one college, Shantou Vocational & Technical College (汕頭職業技術學院). Including Hanshan Normal University (韓山師範學院), the entire greater Chaoshan area has only three institutions of higher learning, which is far from the development need. In particular, with the creation and implementation of the greater Chaoshan agglomeration, building new technological industrial development and talent cultivation bases in the greater Chaoshan area represents the general trend.

The establishment of colleges and other educational institutions is a long-term investment, requiring accumulations over a long period. Only if we bear in mind that education is the basis of progress and talent is the key can we grasp the opportunity and confront bigger challenges. Education will certainly benefit from the various conveniences brought by the above independent planning, since the economy, technology and education are interlinked and move ahead or step back altogether. We

must consider the strategic significance of independent planning from an overall perspective. To enhance and develop soft strength and power should become a rational and feasible choice facing most decision-makers for urban development (Wang, 2009). Accordingly, the underdeveloped soft strength becomes a barrier that obstructs SEZ construction and needs to be removed (Zhu, 2007).

In addition, the tourism service industry should be vigorously developed. After implementing independent planning, Shantou will be able to make an overall arrangement of the urban tourism resources of the whole city and even surrounding cities, driving the successive development of other industries, thus improving the overall development level of the greater Chaoshan area. The Chaoshan area possesses rather comprehensive tourism resources including the natural landscape, abundant cultural relics and certain tourism service infrastructure (Wang and Yang, 2012). Therefore, it would be advantageous to develop tourism (Ma, 2003). However, for various reasons, tourism in Shantou has been developing at a slower speed compared with surrounding cities. For example, when compared with Xiamen, Shantou greatly lags behind in this industry. Consequently, the tourism development strategies of the Chaoshan area must be formulated from several aspects, with the input, publicity, planning and policy measures optimized and improved.

4.2. Strengthen Infrastructure Construction

Better infrastructure construction helps to attract more direct investments, improving the efficiency of turning investment into output. Meanwhile, independent planning will attract even more investment with certain spillover and accumulation effects, which requires better infrastructure to increase investment return. Independent planning will enable Shantou to plan and integrate the surrounding infrastructure, raising the accessibility between cities. Additionally, the transportation

system is undoubtedly a weakness of Shantou. As a result, the construction of an urban express ring road must be initiated to build a supporting system for urban-rural agglomeration. As for the most fundamental communication media – bus, the docking between the public transportation service and central city of the greater Chaoshan area should be accelerated; at the same time, the rail lines should be increased, as the current handful of lines are really abnormal for a city. Moreover, ports are also an important transportation condition. Governments at all levels of the greater Chaoshan area should strengthen infrastructure construction, improve and optimize the hardware and software environment supporting production and living.

4.3. Reinforce Population Scale Development to Adapt to New Development Needs

Economists represented by Paul Roemer, Robert Lucas and Maurice Scott put forward the new theory of economic growth, which introduces knowledge and human capital factors into the economic growth model, and which argues that the accumulation of specialized knowledge and human capital can generate incremental revenue, enlarge total revenue, and finally improve labor productivity and physical capital productivity. The production theory points out that during social production, the mutual migration between migrants and local workers will promote the growth of marginal productivity. Theodore Schultz once estimated that after the Second World War only 20% of American agriculture growth could be attributed to physical capital investment, with the remaining 80% resulted from education and technology. In particular, he emphasized that the common fault of developing countries is the indifference to human resource investment. They are willing to generously invest in the construction of tangible buildings and equipment procurement, but stingy with human resource investment,

making the restricted labor growth a bottleneck for economic development (Schultz, 1990).

Taking Shantou as an example, we assume that the GDP of Shantou will reach 360 billion yuan as proposed in the “12th Five-year Plan” of Shantou in the following 5 years. The estimation is conducted on the basis that the GDP per capita then will be 45200 yuan, and the population growth rate will be higher than 8.75%, meaning that the population will reach 8 million, and the population of the greater Chaoshan area will be 21.19 million at the same speed. Irrespective of the perspective, in order to maintain a population appropriate to economic growth, the population growth rate of the greater Chaoshan area must be higher, which is difficult to be realized through the natural growth rate alone, so we must seriously consider the migration factor in socioeconomic development.

To this end, we suggest: 1) carrying out a positive migrant policy, 2) carrying out positive investment migrant policy, 3) carrying out positive technical migrant policy, all of which will increase the productive labor force, elevate the education level with same population density, absorb talented people with advanced knowledge, absorb quality and sustainable investment, and which will maintain a population appropriate to the economic growth. If the above three positive migrant policies can be implemented successfully, there will be tens of billions of construction funds and tens of thousands of young and skilled labors each year in Shantou, driving the GDP growth of the greater Chaoshan SEZ at least one percentage point higher. Hence, we suggest the decision-makers of the newly established greater Chaoshan SEZ take this into serious consideration when developing the specific policies and schemes concerning the migrants in Shantou SEZ.

5. Conclusions

Public administration should maintain its role in directing regional economic development even though market power reserves its decisive role in the allocation of resources. The advantages of public administrative resources and independent planning are undoubtedly crucial to the long-term economic and social development of the greater Chaoshan area, especially with regard to its agglomeration strategy. Furthermore, research conducted from a practical and political point of view is of great value to the overall planning and strategic layout of the economic and social development of the whole eastern Guangdong region.

This research provides evidence that independent planning has a significant effect on GDP per capita. The results show that the public administrative resource reallocation facilitated by independent planning does greatly promote overall economic efficiency. More importantly, according to estimations with updated data, public administrative resources increased under independent planning system, and they contributed to the GDP of each city with independent planning in a marginal increasing trend. Meanwhile, after comparing Shantou, Jieyang and Chaozhou with Xiamen with regard to the economic conditions of a city with independent planning, this research argues that integrating Shantou, Jieyang and Chaozhou into the greater Chaoshan SEZ with independent planning is practically feasible, and has a decisive strategic significance in promoting the overall economic and social development of the whole eastern Guangdong area.

Based on previous studies (Tian and Dai, 2013), this paper demonstrates the necessity and feasibility of independent planning for the greater Chaoshan area and proposes specific suggestions from multiple perspectives, including the economic development practices of

cities in China, with independent planning and including the strategic layout of the economic and social development of eastern Guangdong, as well as the economic and social development status quo of eastern Guangdong. Discussing public administrative resources as a kind of soft and renewable resources in economic development will certainly be an important focal point for future studies on regional economy. We also hope to conduct further, more comprehensive and systematic discussions and research in this area, offering advice on the agglomeration and development of the greater Chaoshan area, thus realizing a blueprint for the optimal development of the economy and society of eastern Guangdong.

Notes

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Housing in China: State Governance, Market and Public Perception⁺

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Abstract

Chinese house prices have been receiving huge coverage in both the domestic and the international media. Although the Chinese government has implemented many policies to control house prices, especially in the big cities, it is obvious that there is disequilibrium between demand for and supply of houses. Even though numerous housing policies have been put in place to overcome that, house prices in China are still rising. Many Chinese citizens from the low- and middle-incomes group find it difficult to purchase a house in the cities due to high house prices. This paper covers the current situation of the house prices in China, introduces the existing state of affairs about the Chinese housing market, explores a series of important reasons for high house prices, examines various public policies the Chinese government is using to control real estate, as well as reveals the citizens' perceptions related to rising house prices. To gauge citizens' perception of the current state of affairs in this

regard, a questionnaire survey was conducted to gather information with a final sample of 256 respondents from more than ten cities of different tiers in the different regions of China.

Keywords: *China, house prices, real estate market, government policies, citizens' perceptions*

1. Introduction

China's economy has rapidly expanded because of the "reform and opening" policy. With a fast-growing economy, competing well with the developed nations in the world, China has a gross domestic product (GDP) constantly above 7% for the last twenty years. With housing reform implemented and welfare housing distribution system abolished, the real estate sector in China has greatly expanded and today is the mainstay industry in the Chinese national economy.

Since 2003, the Chinese real estate prices have been rapidly increasing. The reasons behind this national phenomenon are the progress of the Chinese economy, the rapid development of urbanization and the government's policies to motivate domestic demand. These reasons are why China is known as among the most vigorous and vibrant housing markets in the world. Nevertheless, the Chinese real estate is growing faster than the Chinese citizen's income. In order to curb the rapid growth of investment in the real estate market, the Chinese government has taken some effective steps and directed the Chinese economy towards a healthier orientation.

The global financial crisis has slowed the growth of many industries and affected prices, including China's house prices. After the financial crisis, the Chinese national economy eased and the housing market prices increased in the large- and medium-sized cities in 2009 (Ahuja, Cheung, Han, Porter and Zhang, 2010).

Government measures, for example the housing policies, are affecting the Chinese housing market.¹ Increasing urbanization is one of the factors why the demand for housing is high. It is vital to note that improving old residential areas and the construction of low-quality housing do not really add to the quantity of housing supply.

Even though the rate of investment growth in China is decreasing, there is a steady growth of development and sales of the national real estate. During 2015, the national investment of real estate was 4.3995 trillion yuan, which rose 4.6 % a year ago. The National Bureau of Statistics (NBS) of China indicated in 2015 that the investment rate of the national residential housing in the first six months of the year was 4.6% and this number dropped 0.5% during the next half of the year. The investment of residence was 2.9506 trillion yuan² and the increasing speed was 2.8 %, while the decreasing speed was 0.1%.

Interestingly 67.1% of the investment of residence was in real estate development. It can be concluded from the statistics which are provided by the Chinese government that the investment of national housing development and the price of housing are increasing. Hence, it is crucial that the Chinese government has to adjust the housing policy and finance system so as to lead the development of the housing market in a better direction.

NBS in 2015 has provided detailed information on the investment in the three regions of China. China has three officially demarcated regions: the eastern, western and central regions. The eastern region of China recorded the real estate development investment for the first half of the year as 2.5421 trillion yuan and this number had a 4.9% increase as compared to the first half of 2014. The central region invested 8.854 trillion yuan, an increase of 3.6% from the first half of 2014. A total of 9.670 trillion yuan was invested in the western region during the first half of 2015, a 4.7% improvement from the first half of 2014.

There is strong evidence to show that there has been an increase in real estate development investment in China. The increase in investment in real estate is partly due to the increase in housing prices and effective public policies should thus be implemented by the Chinese government in this sector.

Many cities in China have experienced a growth of housing prices. The Beijing Bureau of Statistics indicated that the average price of a house in Beijing has increased from 2003 to 2012. The average price of a house in Beijing was 4737 yuan in 2003 and 20700 yuan in 2012. The price of a house in Beijing from 2003 to 2012 had increased by 337%. The Shanghai Bureau of Statistics has also shown an increase in the price of houses during the period from 2003 to 2012. The average price of a house in Shanghai in 2003 was 4670 yuan and the average price in 2012 was 13870 yuan. During this nine-year duration, the price of a house in Shanghai rose by 197%. There is a concern that the price of a house is higher than the average annual income of an individual citizen. Many Chinese citizens hope that the price of houses will be controlled.

The above shows that the current house prices in Chinese housing market are increasing and the continuously rising house prices are affecting the citizens' livelihood. The Chinese government has the responsibility to deal with this situation and policies on housing need to be revised and improved.

There is a huge concern about the price of houses in China, and it is essential to consider the public responses to the development of house prices and housing policies in China's housing market. The pertinent questions are: (1) What is the current housing market situation in China? (2) Why do China's house prices continue to rise? (3) What are the governmental policies regarding the development of the real estate in China? (4) What are the public's responses to the rise of house prices?

Answers to these questions are important not only for Chinese citizens who need to know and understand the current situation regarding the development of the housing market, especially as regarding why the prices of houses in China's housing market are so high, but also for the authorities in the Chinese cities who are entrusted with responsibilities to further improve their respective cities' residential policies by understanding the public policies implemented by the central government.

In this paper we wish to (1) introduce the existing state of affairs about China's housing market; (2) explore reasons for high house prices in China; (3) introduce public policies the Chinese government is using to control real estate; and (4) to discover the government's and citizens' responses to the increase in house prices.

In terms of scope, this paper looks into the responses of the Chinese citizens regarding the house prices and the government's policies in cities located at the eastern, central and western regions, including Beijing, Shanghai, Shenzhen, Tianjin, Xi'an, Zhengzhou, Lanzhou, Xianyang, Baoding, Xining, Harbin and Kunming³. Some cities, such as Beijing and Shanghai, are particularly focused on for the purpose of this study. Some cities are representative. For instance, there are two reasons why Beijing is chosen for this study. The first reason is that Beijing is the capital of China. Beijing being the capital of China is therefore seen as the political and economic center of the country. It is easier for the authors to collect the necessary information for the study. The second reason is that Beijing has the largest population among cities in China. There are many people from different backgrounds living in the capital and thus the city provides the best opportunity to represent the entire population in China. On the other hand, Shanghai is of course the city of international and financial exchange center of the country. Although the Chinese government has been controlling the prices of real estate, many

Chinese citizens are still concerned about the high cost of buying a house there.

The Chinese government has stressed this issue many times in numerous government reports. The 2013 government work report illustrated that the government should heighten the provisions of the Chinese real estate market and reinforce the construction of government-assisted housing. The Chinese government needs to firmly curb the behavior of speculation. In order to stabilize housing prices and regulate policies of the real estate market, the government needs to promptly improve and perfect the accountability system.

In the following year, the Chinese government in the 2014 government work report gave a few statements regarding the current housing situation. The government would establish and perfect the mechanism to supply adequate housing. In order to ensure a house for every Chinese family, the government will construct more government-assisted housing and the government should execute it step by step. Governments at different levels should shoulder their respective duties. Over seven million government-assisted housing would be constructed and over 4.7 million houses would be built in the urban areas. The related supporting infrastructures would be constructed.

3. Housing System and Housing Policies in China

3.1. Development of Chinese Housing System

The housing system in China is different during different periods in China. There are three main periods that were vital for the Chinese citizens to get home ownership. The three periods are the period of planned economy (1949-1978), the transition to a market economy (1979-1997) and the complete transition to market-based housing construction (1998 till today). Understanding the history of housing

allocation is essential in understanding the present housing circumstances.

3.1.1. The period of planned economy (1949-1978)

When the Communist Party of China (CPC/CCP) took over China and established the People's Republic of China (PRC) in 1949, the housing system in China was controlled by a highly centralized planning system as China entered the period of a planned economy. Under this system, the "market" was not in operation and did not work in distribution. The Chinese government operated and dominated the supply of consumer commodities including supply and distribution of houses (Ye, 2006).

According to Ye Jianping, a professor at the Department of Land and Real Estate of China's Renmin University, there were some housing allocation arrangement then such as low rent to commensurate with low salary. During this period of time, the government provided subsidies and goods for distribution while funds of building houses came from the Ministry of Finance through the National Construction Funds (*ibid.*). There were no resources needed from non-governmental bodies.

Houses' investment funds were funded by the government budget expenditure and distributed to various state-owned organizations. The state assigned houses to staff who had rights of possession, use and benefit, but they did not have the right of disposition. Those citizens who were allocated houses were given a choice to live in it or rent it, but the citizens were not the owner of the house as it belonged to the state. Meanwhile, residents were only asked to pay a nominal rent. Based on this fact, the state had to pay financial subsidy, for instance, maintenance fees and other expenditures of housing services.

Many factors determined an individual housing allocation, for example, which work unit he belonged to, how many years he has serviced for the work unit. Certainly, his degree and rank, family size,

and existing living area also decided one's housing assignment. This led to unfairness and undesirable attitudes toward housing consumption. In fact, because of the growth of population and the development of economy, the government did not have the ability to provide enough houses to satisfy the great demand of households.

3.1.2. The transition to a market economy (1979-1997)

During the period of transition to a market economy (1979-1997), welfare houses of the state slowly changed to the provision of housing and this turned into the dominating market force. This period saw many changes in owning a house. It first started off by the government selling the houses to the citizens, encouraging the private sectors to construct houses. This was all done to reduce the influence of the government as the sole supplier of housing in China. This move was also done to diversify sources of funds in housing allocation and construction.

In order to stabilize the economy, private investment and ownership were encouraged by the government (*ibid.*). Funds were used to build a house which came from central and local government. Mortgage loans were offered by construction and commercial banks. The Chinese government started to implement experimental housing unit in some cities and encourage citizens to purchase their own house and get the home ownership. In addition, some commercial houses were built by the private sector, which were sold to high incomes and non-state employees.

3.1.3. The complete transition to market-based housing construction (1998 - today)

From 1998 onward, the Chinese housing policy entered a new era in terms of housing allocation. There are diverse housing supply systems

and the criterion and regulation of housing trade markets. The Chinese government drafted a new document. The aim of this document was to establish a housing market based on changing prices, such as high-, medium- and low-income groups. If you had a high income, you could buy commodity housing. Others could buy welfare houses whereby the prices were limited by government. In fact, the market would play an important role to adjust to the residents' housing demand (*ibid.*).

The government hopes the market can make an important impact in the housing market. In order to improve competition of the housing market, administration of the land right and transparency of the grant process, the Chinese government implemented new approaches to empower rights in 2002, which influenced lands' prices and the changes of housing prices. The increase of houses' prices is influenced by the market (Deng, Ma and Chiang, 2009).

The Chinese government started to formulate and implement policy in order to adjust and control the housing market. The central government decided to issue an announcement. In the notification, the reform of the urban housing system needed to be further deepened and housing construction needed to be accelerated. This notice forbade state-owned companies to construct or purchase houses for their staff. This reform accomplished the transition from welfare housing distribution system to market-based commercial housing system. In this situation, the housing prices increase quickly in the Chinese housing market.

3.2. China's Current Housing Market Situation

China's economy has rapidly developed since the early 2000s. According to Leung (2004), the economic growth is beneficial to property market's development. Zhang *et al.* (2007) grasped that household income had an important and positive influence on housing prices from 2000 to 2004 in China's 35 cities. In 2012, the World Bank

predicts that housing consumption of China will have continuous growth in the next twenty years. According to Carlos Garriga, Yang Tang and Ping Wang (2015), many developed and developing countries, including China, had undergone broad-scale housing booms over the past thirty years.

Chen *et al.* (2011) concluded that the increase of house prices has become a hot topic in China and the increase has influenced urban home ownership. House prices in Chinese cities have rapidly increased and it has become an increasingly troublesome problem in the urban residential market (Chiang, 2014). The Shanghai Statistics Bureau (2012) stated that the house prices have increased by 327% from 1999 to 2011.

Many people and organizations have attempted to stabilize the prices of houses (Chen *et al.*, 2011). Overheated investment will bring some negative effects, such as boosting the prices of fundamental commodities. Due to these negative effects, the Chinese government changes policies to stabilize the fluctuation in house prices (Deng *et al.*, 2009). The increasing price of houses in China for the past decade has caught the attention of the global economy and policy communities (Fang *et al.*, 2016).

3.3. Reasons of High Housing Prices in China

Some factors can explain the hike of house prices in China. These reasons are well supported by previous studies done by researchers as well as various different institutions.

3.3.1. Market demand

After conducting a series of test among 10 cities in China, the China Central Bank (2006) mentioned that many households preferred to get home ownership as oppose to renting. According to them, 90% of

participants in Beijing and 62% of the overall participants in the study mentioned that they never considered renting houses.

To the Chinese, the house is the symbol for a family and owning a house is important as it shows that the family members are taken care of. The Chinese prefer to buy their houses rather than renting from others. If a house belongs to another, the tenants do not want to pay money for the decoration. If the house belongs to him then the house owner is willing to pay much money for decoration, even with loan from the bank. Therefore, the Chinese traditional way of thinking determines them to buy their houses. This may cause an increase of properties and facilitate house prices to grow.

The Chinese government encourages their citizens to own their own houses (Glindro *et al.*, 2008). The Chinese government takes part in regulating the housing market, and foreign ownership is restricted. Due to the culture and the encouragement from the government, there is a huge demand for houses in the market.

During the 2008 economic downturn, the Chinese economy faced tremendous pressure yet the housing market in China was still on the rise. During this economy downturn, the four important cities, Beijing, Shanghai, Shenzhen and Guangzhou suffered a small drop in housing demand but recovered after the economic crisis. The housing prices in second-tier cities (autonomous municipalities, provincial capitals or commercial centers) and third-tier cities (important cities in their respective regions) continued to rise despite the Chinese stock market experiencing a sharp decline.

3.3.2. Market supply

According to China Construction Ministry (2003), the real estate industry in Beijing made a 73% contribution to the city's GDP for that year. The Chinese economy develops fast and depends on the real estate

sector. In order to improve service performance and reach economy index target, Chinese local governments will develop the available lands for real estate purposes. This act will expand the market supply and the prices of houses will continue to rise so long as the real estate sector has a significant power for financial revenues (Fu and Lin, 2013).

A good example of a real estate policy is provided by the Shanghai local government that issues a special registration system. According to this system, whenever a person buys a house, the person will get the Shanghai “*hukou*” which is beneficial in terms of applying for health care and children’s education. Many people are willing to buy “*hukou*” for their children as they can enjoy good welfare and educational policies. Those children with “*hukou*” have a higher opportunity to enter good universities even if the scores are lower than other provinces. Using the system of “*hukou*”, the Shanghai government ensures that there is a continuous demand for market supply.

3.3.3. Urbanization and migration

After the reform and transformation of urban housing, urban housing market follows the regular pattern of supply and demand (Chen, Guo and Wu, 2011). Rapid urbanization in China has generated a largest migration. The migration starts from rural areas to urban areas. Migration is an important factor in housing consumption.

In the urbanization process, many Chinese leave the agriculture sector for the non-agricultural sector. Not only does it bring sufficient labor, but also bring the huge demand, in the form of increase of housing demand, and demand for fundamental infrastructure and medical facilities. According to Shaw (1997), housing is a necessary request for every family. Because of Chinese culture, the demand of housing is usually inelastic. Therefore, increasing urban population would cause a high demand of houses.

The level of urbanization is influenced by migration. The growth of urbanization in China depends on the rural-urban migration. The natural growth of urban population is the other kind of population growth. In other words, the number of the natural urban growth depends on the yearly birth and death rates in urban area (Zhang and Song, 2003).

The Chinese economic reform began in 1978 and this rapid development in the country's economy has led to internal migration. On the one side, land policy and agricultural reform makes farmers leave the land. On the other side, the reform and opening policy makes the eastern regions richer and regional differences bigger. This migration of farmers has increased the population of the Eastern Region of China (Bhalla, 1990; Lyons, 1991; Chen and Fleisher, 1996; Fan, 1999).

According to the World Bank, two thirds of the poor families in China live in these western cities, which are far from the coastal areas that are the richest places. In order to get a higher income, many people from the western region of China choose to migrate to the eastern regions. This migration allows them to get a higher income and increases the demand of owning a house.

Land shortage is another reason for migration. Research has proven that land-use rights are more available for merchants. This is another reason why farmers in China's Western Region migrate to Eastern Region (Zhang and Song, 2003).

The process of urbanization and the number of migration are always increasing. This is good for the housing sector. New people are joining the city and they demand for houses. Although this is good for the sector, the supply of houses does not satisfy the demand for houses. According to China National Statistic Bureau (2004), the population in the cities of Beijing and Shanghai has increased. Just in 2004, 370,000 people lived in Beijing, a 2.54% increase and 310,000 lived in Shanghai, a 1.81% increase. The increasing population is due to migration and urbanization.

The increase of population is too fast for the supply of houses. In the process, migration promotes economic development in the eastern coastal areas. On the other hand, migration expands demand for residential housing, including some fundamental constructions and commodities.

3.3.4. High disposable income

Fang et al. (2016) mentioned that the household disposable income in China has been increasing for the past two decades. This income growth has provided assurance to the increase of housing needs. The growth in the citizens' income is due to the fast development of the Chinese economy. Fang *et al.* (2016) found that there has been a 9.0 % annual real growth rate on household disposable income.

However, some scholars like Wu Jing, J. Gyourko and Y. Deng (2010) have expressed that the Chinese have high expectations regarding the hike of housing price. The real estate market plays a significant role in Chinese economic development, as this market accounts for a big share in the national economy. A new house symbolizes an improvement in living standards. When their incomes increase, many urban families are willing to buy the second house to improve their living standards (Dreger and Zhang, 2010).

3.3.5. High savings rate

According to Chen and Yang (2013), urban household's savings increase urban housing prices. As a result of an increase in savings in banks, the banks have to increase their loan to make profits. It is important for the banks to give more loans in order to loosen the credit condition.

Collyns and Senhadji (2002), Coleman, LaCour-Little and Vandell (2008), and Mian and Sufi (2009) all concluded that if bank credit

increases then it pushes the growth of housing prices. Tang (2014) thought the government carried out several policies to support the progress of the housing market. This may influence bank credit to increase and then to influence housing prices.

3.3.6. Huge wealth gap

According to the 2015 National Statistics Bureau, 10% of the wealthy Chinese have a total of 45% of national property as opposed to the poor who only have 1.4% of the property. Hence, a huge wealth gap between the rich and the poor exists in China. According to the 2006 living condition report issued by China National Conditions Research Association, 40% of Chinese citizens who have an annual income of 110,000 yuan have at least two sets of houses while 22% of them are planning to buy more houses in the future. According to the same report, the higher-income Chinese citizens see buying land properties as an investment, not as another place to stay. As a result of this, the housing price is constantly increasing.

3.3.7. Loose land policy

(a) Developments of land policy – The price of housing depends on the various housing policies in China. The Chinese government has a major influence in adjusting and controlling the price of land properties. This is partly due to the fact that the real estate sector affects the Chinese economy. The government has enforced many measures to control the growth of house prices. Different periods of China lead to different land policies.

(b) Changing land-use rights – In 1979, the Chinese Communist Party Central Committee and the State Council established the Special

Economic Zone to handle the various urban problems such as poor housing situations and inefficient resource distribution.⁴ The Special Economic Zone invited more foreign investment to the country with the main purpose of developing the Chinese international market. This period of time was slowly known as the Reform and Opening era.

Since 1979, there were many changes in terms of land-use rights, land tax, land management and land rules. The Special Economic Development Zones get a few business privileges, but it is only within the zone. An example of this special privilege includes the use of land for a specific period and after that the land would be returned to the government (Tang, 1989; Liu and Yang, 1990; Zhang, 1997).

In 1986, the Chinese government set up the Bureau of Land Administration. This bureau manages the allocation of land and monitors the execution of regulations regarding land-use policies. In 1988 the Chinese constitution regulated the ownership of land and land-use rights. This law was helpful for land market development until 1991 where the state allowed land users to transfer, rent and mortgage the land. Since then, land rights have started to become commercial and this system brought beneficial influences on the development of land, as well as governmental budget.

(c) Land management law – The Land Management Law was introduced in 1986 and amended in 1988. This law indicated that the land quota needs to be established every year and the land must be classified as agricultural, unused or converted agricultural to construction land. This law has to be followed by the citizens, companies and governmental sectors. The legislation agencies regulate that all land owners must be responsible for their lands and how the land is used for. This law promotes land to be used for construction.

(d) Land-use taxation – The Chinese government began to levy land-use fees for foreign companies in 1979. At first, fees were considerably low and this did not motivate the growth of the economy. In order to improve urban land use and enhance land management, the government introduced the Provisional Act of Land Value Increment Tax on State-owned Land in 1993. Taxpayers must pay a land value increment tax if they got a net profit through land-use rights transfer.

The land policy reform in China brought positive influence on the improvement of land use and has increased the development of real estate. Although there are many benefits from these policies, there are a few challenges that need to be rectified. The policy makers need to balance the demand and supply for land as there are unjust cases that emerge every now and then. Land development is good for the country's economy while on the other hand, farmers are pressured to turn their agricultural land for the purpose of construction.

(e) Loose land policy – Land costs are a major part of housing prices and this increases the supply cost of the housing industry. It is important to comprehend the connection between real estate and land use, because it can help to interpret and forecast housing prices (Miller and Peng, 2006). If people master the relation between real estate and market of building land use, they could easily evaluate the housing industry (Ooi and Lee, 2006; Ooi, Sirmans and Turnbull, 2006). From this perspective, land policy is very important for housing prices. Land policies have a close relationship with housing prices. Easing land policies, developers and investor will reduce housing cost; it will boost the supply and further affect housing prices. The Chinese government introduced a new land policy in 2007. This policy mentions that the central government can control and use the urban and rural land for development.

On 31st August 2004, Ministry of Land Resource mentions that architectural land-use rights are granted through different forms, including tender, auctions or listings in China. These rules are named as the IAL system and the invitations are given to tenders. A local government declares a public sale, and then bidders take part in the auction at a certain date and location. This method for granting the right of land use is transparent. Listing refers to the local government issuing a notification about the exchanging land. Through this land policy, more and more developers choose to invest in the real estate. *China Yearbook's* data show that the developers of real estate rise from 37123 in 2003 to 59242 in 2004, which represented a fast increase. Under this situation, supply in housing market will increase.

This land policy has influenced the connection between building and land prices. The high payment of land right is an important reason related to rapid rise in housing prices (Du, Ma and An, 2011). Thus, the loosening land policy is one of the important measures to influence housing prices.

3.4. Housing Policies in China

The Chinese government adjusted many housing policies to decrease the soaring housing prices and balance the demand and supply of houses. By narrowing the wealth gap, controlling land supply, and strengthening legal and financial system, the Chinese government can bring stability to the constant demand for houses. The next paragraphs will introduce the current housing policies used in China at the moment.

3.4.1. Land policy

In June 2006, the MLR of China mentioned by the first day of 2007 the government will lower the country's fast housing development as there is so much demand for houses. This was due to the fact that unused land

will be used for development. According to this new policy, if any enterprises allocated land for development, then they have to develop it in time. Otherwise the investor will pay the unused fee when the investors obtain the land after a year. This new land policy was then introduced to the Chinese public on November that year in the government's effort to balance the demand and supply for land.

The Chinese government also faced a similar problem with the Chinese housing market during 2007. House prices were so high in 2007 and the supply of houses was not sufficiently available at that time. In order to bring stability, the central government introduced the Value added tax (VAT) on land trading. According to VAT, the minimum down payment for a house is 40% and the minimum mortgage rate also increases. This was used to interfere with the price of houses (Ahuja *et al.*, 2010).

In 2008, the central government prohibited banks to hand out many loans for land buyers. The demand for houses started to decrease slowly and house prices started to stabilize. Only those who could afford a house will be able to pay the down payment for land purchase. Besides, the central government proposed the initial payment rates for many guaranties and increased the land supply for residential rather than non-residential purposes. As Zhu (2014) mentions, the lands are provided by the Chinese government, which are not for luxury houses and villas, but for big housing project for Chinese citizens and their families. He adds that the central government controls land provision for big housing projects so as to stable the balance of real estates.

3.4.2. Tax policy

The central Chinese government imposed higher property taxes to decrease the housing demand and increase the cost of construction. From 2007 onward, the transaction of a property has 5.5% tax on a house price

unit. This was a way for those who sold their houses to escape the hike on property tax. A few cities in China implemented this policy, and these cities were Beijing, Shanghai, Dalian and Shenzhen. This tax policy decreased the demand for houses (Stephen *et al.*, 2007). The Chinese government also levied sales tax and income tax for second-hand house exchange. Through increasing tax for big size flat, the government hopes to limit the rich in buying more houses and to satisfy land use for low-income and middle-income affordable housing.

3.4.3. Affordable housing policy

From 2003 to 2006, the Chinese government intensified the market control and cooled down the housing market in this period. Chinese affordable housing is very significant for helping the low-income and medium-income families to buy houses. This kind of houses were constructed and sold by the local government at a minimum cost, and generally the price is below market prices (Ye and Wu, 2008).

Some economic programs were created to serve the low- and middle-income urban families. These programs helped the low and middle class to slowly pay for market-oriented houses. The local government provided low-cost land to economical housing developers in order to reduce taxes and build affordable houses for the low-income families in the suburban and rural areas. In the process, the local government prescribed the price lower than market housing, keeping a small profit (no more than 3 percent) (Deng, Shen and Wang, 2009).

The central government implemented the Housing Provident Fund (HPF) program to promote home ownership and to support affordable housing policies (Ye and Wu, 2008). This project comprised of 70 percent of employees in the urban regions, but the participation ratio varied. For example, in the coastal regions, the participation rate in Zhejiang provinces reached about 90 percent; in the central and western

regions, the ratio is less than 50 percent.

The original target of this fund was the low-income families, but there were a few slip-ups. Many higher-income families took an opportunity to penetrate the loopholes. To correct their mistakes, many local governments made a few adjustments to this fund. The candidate who is an adult over 30 years old has a three-year existing “*hukou*”. In addition, the family should meet the standards of housing, such as the income and asset condition being under the average annual income. Before applying for these funds, the applicant must first apply to the Municipal Affordable Housing Offices (MAHPO) for approval (Zhang, 2007 and Cai, 2009).

A housing act introduced by the Chinese government in 2007 mentioned that “every person in China can have a place to live”. According to this act, all citizens under the care of the government will be guaranteed basic houses. This policy states that all houses must not be smaller than 60 square meters. The government ensures that all citizens under their jurisdiction have a house to stay in (Hou, 2009).

The government makes flexible arrangements for affordable house (Wang, Shao, Murie and Cheng, 2012). The new policies mention that affordable housing can be rented. The new policy instructs joint ownership between the government and citizens regarding a piece of land. The basic housing provision system, including supply and management, would be set up and instructed by the Basic Housing Provision Act and related regulations.

3.4.4. Low-rent housing policy

The Chinese government has implemented a low-rent housing policy to assist the low-income citizens to pay for their accommodations and this policy is still continued up to this day (Ye and Wu, 2008). This low-rental housing policy is known as the Cheap Rental Housing (CRH)

program. This program is only for low-income family and not for those families who are migrating from rural to urban areas (Deng, Shen and Wang, 2009, 2011). Households must apply for a public-owned rental house. Only people are categorized into the criteria who can apply for this low-rent housing.

The first criterion is age or health situation – Chinese citizens who are older than 60 years old or they have chronic health issues. The second criterion is that the current house of the applicant is in a bad condition and the third criterion is the the person is being relocated (Wang and Murie, 2011). The government implemented the CRH program when in 2009 the Ministry of Housing and Urban-Rural Development of China (COHURD) mentioned that more than ten million citizens live with about ten square meters per person. This went against the central government act, saying that every house must not be smaller than 60 square feet.

In 2004, the central government published a announcement about Ways to Provide CRH for the poorest urban residents. Under this policy, the Chinese government would support low-rental housing with the annual budget. The central government regulated that every government needed to devote 5% of its net profit to the CRH program. Different places have different detailed standards for income limits or types of units, in order to avoid some negative aspects.

On May 22nd, 2009, the Chinese government issued a program called Cheap Rental Housing Guarantee Plan from 2009 to 2011. This plan indicated the Chinese government would spend three years to resolve buildings' construction issues for low-income citizens. There are about 5.6 million citizens will stay in the new houses, and 1.9 million citizens will be given rental subsidies.

According to the Beijing Municipal Statistics Bureau (2011), low-income rental housing regulation is beneficial to about 40,000 families at

the end of 2009 and another 5266 households were added in 2010. From 2009 to 2010, the city constructed 4993 government-assisted housing units to be employed as low-income rental housing. Low-income rental housing has become a very significant measure to help low-income families, including vulnerable people (Wang, 2012). Thus, promoting low-income rental housing is necessary for the government. The COHURD (2010) introduced the Guidance to Speeding up Public Rental Housing to encourage affordable housing for the low-income households. The government built 19 billion flats during three years for low-income households to rent in 2013 (Zhu, 2014).

3.4.5. Financial policy

There was an oversupply of real estates in China during 2007 and this led to many companies going bankrupt. Many houses were vacant. This taught the Chinese government that over-spreading credit to the development of the housing industry would slow down the growth of the economy. Since then, the central government has been careful in controlling and adjusting the supply of and demand for houses (Ren and Wang, 2007).

China's Ministry of Housing and Urban-rural Development (2006) stated that the Chinese government also provides housing provident fund for employers and employees. This policy has benefited 60% of all registered staff and employees in the cities. Through this, they can get low-interest mortgage loans from banks. In addition, the government implemented some credit policies, including adding the capitalization rate of housing development programs and limiting credit for development of the housing industry.

The Chinese government constrained housing investment through financial measures (Zhu, 2014). First is limiting loans to developers whose capital does not meet the standard. Second, if projects have been

vacant for more than three years, they are not permitted for a loan from commercial banks. If the household purchases a small-size flat, the down payment is 20% of the total housing price, but the down payment for a large flat is more than 30% of the total housing price. The government encourages people to resell current houses or to rent.

3.5. Summary

To summarize, the increasing housing price in China is influenced by many factors – imbalance between supply of and demand for housing, a huge wealth gap, urbanization and migration, high disposable income and saving rates. The Chinese government implements many policies to control and adjust the house prices. Policies such as affordable housing policy, low-rent policy and financial policies were implemented to provide the Chinese citizens with affordable houses.

4. People's Perception of House Prices and Government Policies on Housing

Further to the discussion in the preceding section on the existing state of affairs about China's housing market, possible reasons for high house prices in China and the public policies the Chinese government is seen to be using to control real estate, we move to explore the responses of the Chinese citizens regarding the house prices and the government's policies in cities located in the country's Eastern, Central and Western Regions. The criteria for city selection have been discussed earlier. We selected the participants of survey who were experiencing the various housing prices and policies and who were available at the time and place where the data were collected.⁵ The respondents who were in public areas were approached in order to answer the questionnaire. Our sampling size was 256 Chinese citizens from cities across the three

regions in China. The sample size consists of respondents who bought houses, who were in the process of buying a house and who were randomly assigned. The respondents of this study were teachers, professors, public officers, financial workers, company executives, self-employed people and students. The incomes of the respondents vary from the rich to the medium- and low-income groups. There were no special groups of respondents used for this survey as the purpose was to investigate the general opinion of the Chinese citizens towards the increased housing prices in China. We use the nominal scale⁶ to measure variables of demography, including gender, age, marital status, highest level education, job occupation, family monthly income, and situation of residential living. Analyzed using an ordinal scale, data collected in the third part of our questionnaire looks into the degree of understanding the housing policies.⁷

The questionnaire is separated into four sections.⁸ The first section is about the demographics of the participants. The second section is related to the evolution of the Chinese property industry. It includes the factors or attributes that influence Chinese house prices such as market supply and demand, urbanization and migration, high disposable income, high savings rate, a huge wealth gap, land policy and so on. The third part also states housing policies of the Chinese government, for example, whether a loose land policy would lead to house prices rising faster, whereas with a strict policy to declining the housing prices. Tax policy and financial policies play important roles in adjusting and controlling house prices. The Chinese public responses to these policies and house prices are very significant for the study, because the result can offer advice for the government and citizens. The last section is an open question about the measures that are, hypothetically, felt should be implemented if one were a government official in a position to implement such measures.

4.1. Respondents' Demographics**Table 1** Backgrounds of Participants

	<i>Frequency</i>	<i>Percent</i>
<i>Gender</i>		
Male	119	46.5
Female	137	53.5
<i>Marital Status</i>		
Married	73	28.5
Not married	183	71.5
<i>Age</i>		
20 to 30 years old	200	78.1
30 to 40 years old	42	16.4
40 to 50 years old	13	5.1
Above 50 years old	1	0.4

Table 1 presents the respondents' background in the survey. There are 256 respondents in the survey, 46.5 percent of the participants are males and the rest are females. For these respondents' marital status, 28.5 percent among them are married. The majority of the respondents (71.5%) were not married..

More than two thirds of the respondents (78.1%) were aged 18 to 30 years old. 42 of the respondents (16.4%) were aged 30 to 40 years old, thirteen respondents were in the 40 to 50 years age group. There was only one respondent aged above 50 who answered the questionnaire. According to report in 2013 in the South China Morning Post, a Hong Kong English-language newspaper, the average Chinese citizen in the city takes on the first mortgage at 27; the average first-time home buyer

in Canada is 29 years old (Bank of Montreal), and the average age in Britain is 35.

Table 2 Educational Level and Occupation of Participants

<i>Highest Level of Education</i>	<i>Frequency</i>	<i>Percent</i>
College and below	48	18.8
University/Bachelor	149	58.2
Master and above	59	23.0
<i>Occupation</i>	<i>Frequency</i>	<i>Percent</i>
Teachers (including college and university's teachers)	17	6.6
Public Officials (governmental workers)	19	7.4
Self-employed People	13	5.1
Financial Employees	10	3.9
Corporate Executives	14	5.5
Workers in Companies	62	24.2
Students	89	34.8
Doctors	7	2.7
Others	25	9.8

Table 2 illustrates the levels of education of the participants and their occupations. About 58.2% of the participants enjoyed university education, followed by 23.0% of the respondents who had a master's or higher level of education, while the remaining 18.8% had college or lower-level education. Students represented the largest number of respondents who participated in this study (34.8%), followed by workers in companies (24.2%). Other respondents worked as teachers (6.6%),

public officials (7.4%) and corporate executives (5.5%). Seven doctors responded to the questionnaire.

Figure 1 Total Monthly Family Incomes (yuan)

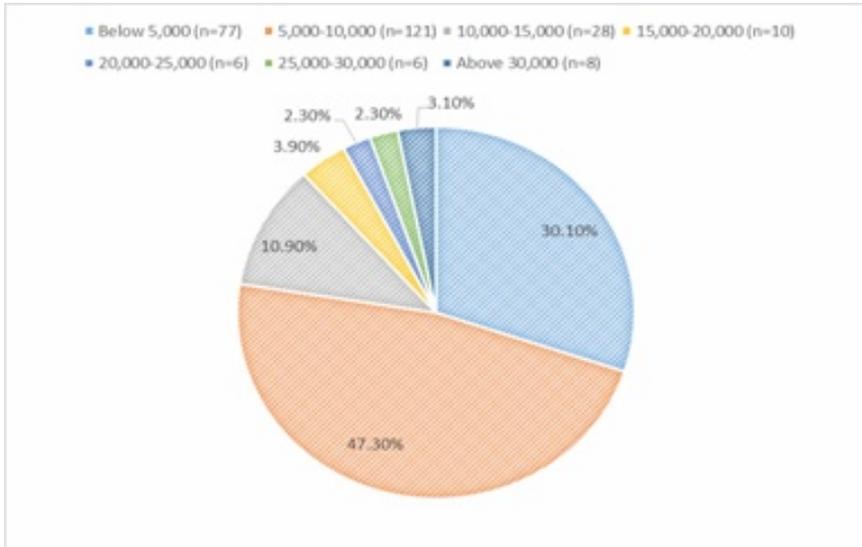


Figure 1 illustrates the total monthly family income of the respondents. From the figure above, less than half of the respondents' family income (47.35%) was between 5000 and 10000 yuan[viii]. About 30.13% of the respondents reported that their monthly family income was below 5000 yuan. 10.91% of the respondents listed their monthly family income between 10000 and 15000 yuan. Surprisingly a total of 11.6% of the respondents mentioned that their monthly salary was 15000 yuan and higher.

Table 3 Regions and Level of City Where Respondents Live

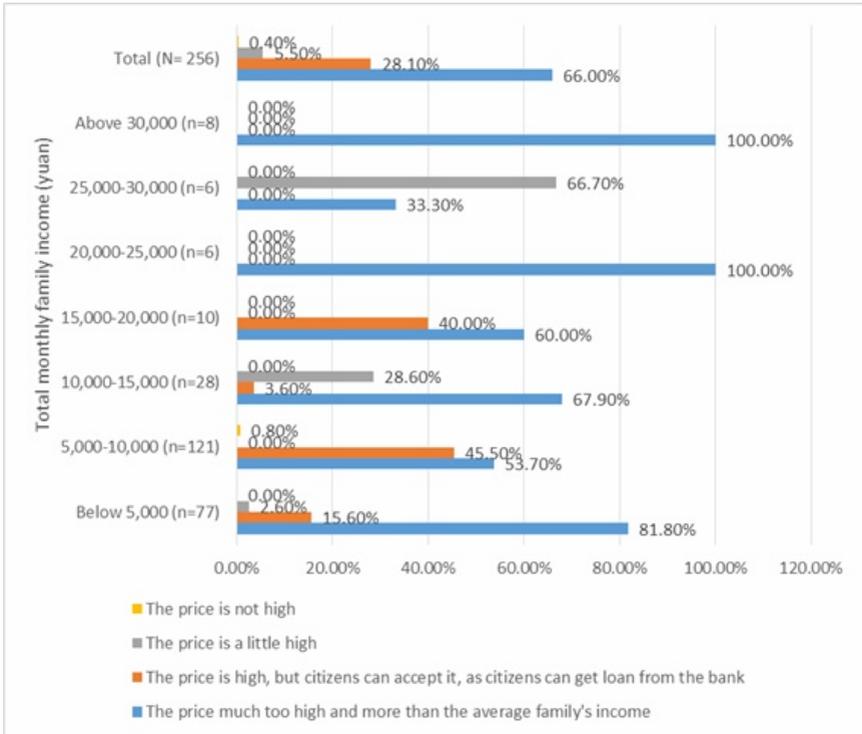
<i>Region</i>	<i>Frequency</i>	<i>Percent</i>
Eastern Region	108	42.2
Central Region	91	35.5
Western Region	57	22.3
<i>Tier of City</i>	<i>Frequency</i>	<i>Percent</i>
First-tier cities	62	24.2
Second-tier cities	71	27.7
Third-tier cities	85	33.2
Fourth-tier cities	25	9.8
Fifth-tier cities	6	2.3
Sixth-tier cities	7	2.7

Table 3 looks into the region where respondents live and the tier of the city. Among these respondents, 42.2 percent of them live in the Eastern Region in China, 35.5 percent live in the Central Region, 22.3 percent in the Western Region. The majority of the respondents (33.2%) live in third-tier cities while almost a quarter of the respondents (27.7%) live in second-tier cities. One quarter of the respondents (24.2%) live in the first-tier cities. 25 of the respondents or 9.8% live in fourth-tier cities, while the remaining 13 respondents live in fifth- and sixth-tier cities.

- About current house prices and trend, more than half of the respondents (66.0%) think that the prices of houses in their cities are too high and exceed the family income. However, a total of 28.1% of the respondents mention that although the price of houses is high, they still can get a loan from the bank.

With increasing income inequality since economic reform began, it is interesting to explore how different income groups perceive the problem of high housing prices. As Kate Hannan (2009) observes, the “approach to urban development now promoted by Beijing is being touted as an approach [...] to be based on [...] the ‘potential’ of many consumers, not just the particularly well-heeled urban market elite” in which the “particularly narrow self-interested behavior (entrepreneurship) of real estate developers, financiers and local administrators is now to give way to sustaining national economic growth through the promotion of housing consumption that should include middle and lower income urban residents” (Hannan, 2009: 125). In view of the huge economic transformation that is undergoing in China and its volatile socioeconomic contradictions amidst expanding income gap, the perceptions of the younger generation and lower-income groups are particularly important. While it is a common perception across most income groups that the house prices are much too high and exceed the average family’s income and affordability, it is particularly obvious among those of the lowest income group (with monthly family income below 5000 yuan) and among those in the lowest age groups (below 40) and especially those below 30, while admitting our sample constraints taking into consideration the relatively smaller sample sizes of those in the categories exceeding 15000 yuan and those above 40 years old – with the sample mainly covering lower-income groups and those with age below 50 (similar consideration for our further analysis below). While the following charts of analysis do show the age group of above 50 years old, given that there is only one respondent it can be disregarded, and hence the focus is only on those below 50.

Figure 2 Perception of Current House Prices in the City by Total Monthly Family Income (% within Total monthly family income)



• Most respondents (57.40%) believe that the house prices will continue to rise, but such growth will eventually slow down. Such perception is particularly obvious among those of the lowest income groups (with monthly family income below 10000 yuan) and among those in the youngest age groups (below 40). On the other hand, on the whole, 18% of the respondents mention that the prices of houses in China will continue to increase at a fast pace. A total of 24.6% of the respondents believe that the prices of houses in China will go down in the foreseeable future.

Figure 3 Perception of Current House Prices in the City by Age

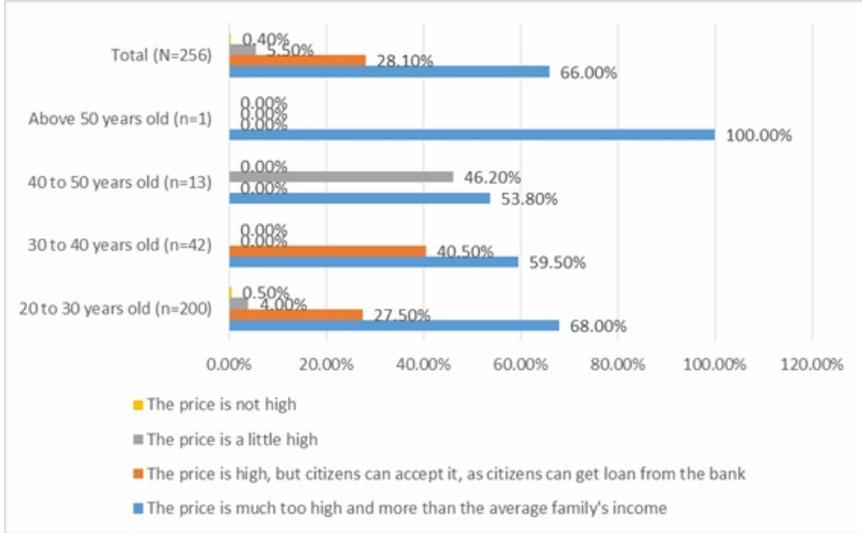


Figure 4 Perception of trend of house prices by Total Monthly Family Income (% within Total monthly family income)

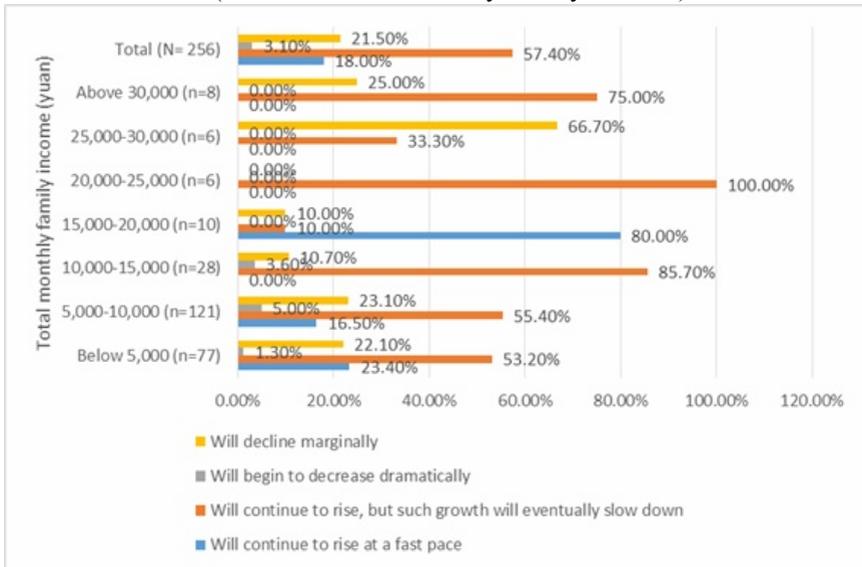
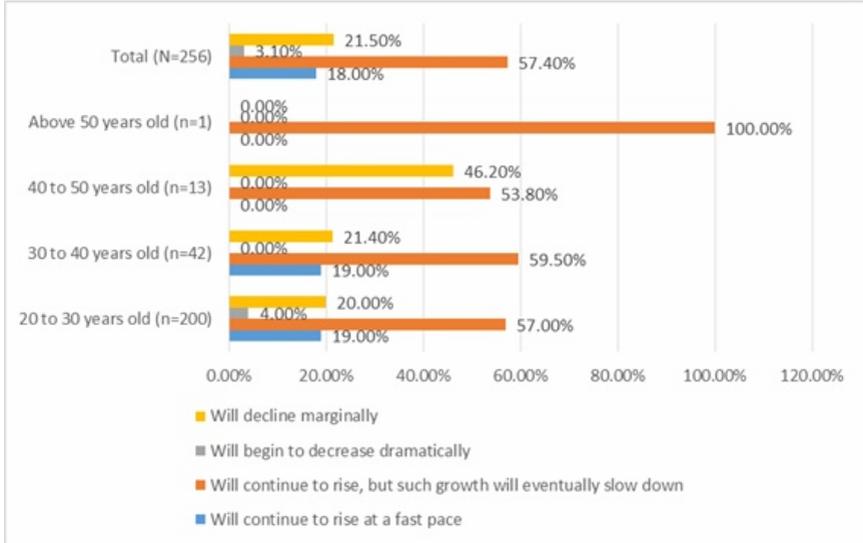


Figure 5 Perception of trend of house prices by Age



• On reasons for high house prices, besides the 37.9% of the respondents who remain neutral regarding local government control, the majority of the respondents (34.8%) believe that the local governments loosening the house price can lead to high housing prices. At the same time, about 19.1% of the respondents strongly agree with this idea. Such complaint on government action is particularly obvious among those of the lowest income groups (with monthly family income below 10000 yuan) and among those in the youngest age group (below 40 and especially below 30). As a whole, only a small percentage of respondents (8.2%) believe that local government are not responsible for the high housing prices in China, including 7.4% strongly disagree with it.

Figure 6 Perception of local governments loosening the housing price leading to high house prices by Total Monthly Family Income (% within Total monthly family income)

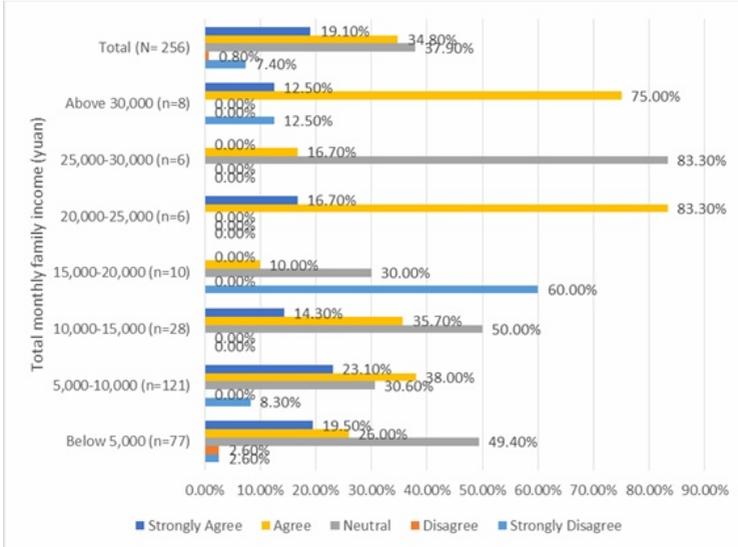


Figure 7 Perception of local governments loosening the house price leading to high house prices by Age

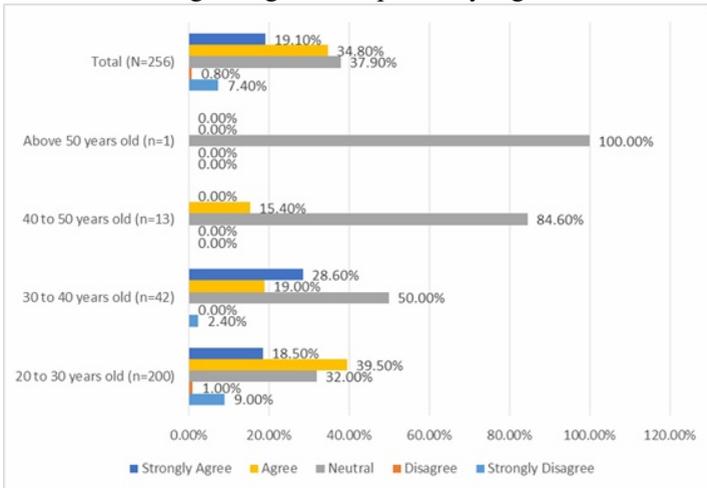


Figure 8 Perception that the current high prices of houses in China are due to weak central government control by Total Monthly Family Income (% within Total monthly family income)

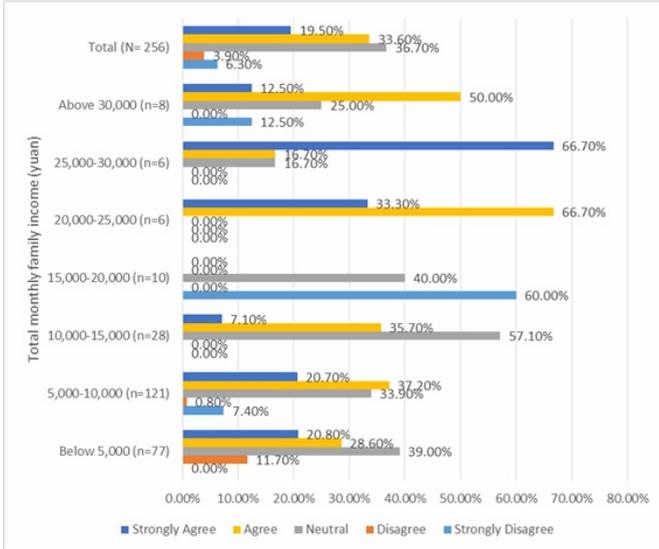
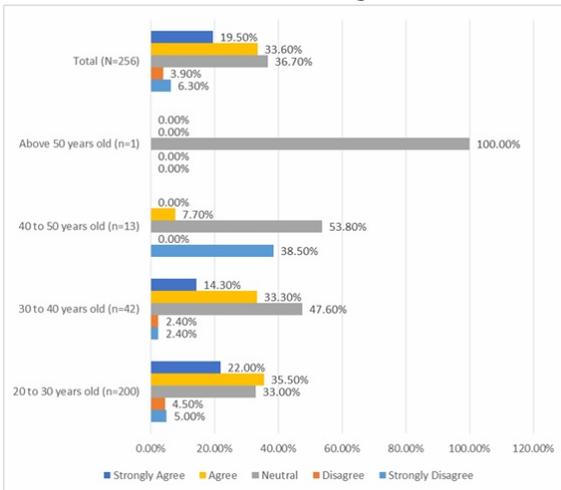


Figure 9 Perception that the current high prices of houses in China are due to weak central government control by Age



- Half of the respondents (53.1%) mention that the current high prices of houses in China are due to weak government control. Such complaint against perceived government's non-action is particularly obvious among those of the lowest income groups (with monthly family income below 10000 yuan) and among those in the younger age groups (below 40 and especially below 30). As a whole, only a small number of respondents (10.2%) disagree that the current hike in house prices is due to government weakness. However, the remaining 36.7% of the respondents does not express agreement or disagreement with the notion that weak government control is the reason for the increase house prices.
- More than half of the respondents (57.4%) agree that urbanization and immigration is the cause for the current high house prices. Such perception is particularly obvious among those of the lowest income groups (with monthly family income below 10000 yuan) and among those in the younger age group (below 30). As a whole, a small number of 25 respondents (9.8%) disagree with this statement of immigration and urbanization being the reason for the steep price of houses in China. A total of 32.8% of the participants stay neutral. This reflects the fact that China is experiencing the greatest migration from rural to urban areas since 1978.
- The majority of the respondents (71.5%) consider that speculation of individual investors is the cause of soaring prices of Chinese houses. Particularly strong grievance against such speculative activity as cause of rising house prices is prevalent among those of the lowest income groups (with monthly family income below 10000 yuan) and among those in the younger age groups (below 40). Only 8.2% of the respondents disagree that speculation of individual investor leads to high house prices. On the other hand, 36.3% of the respondents are not sure whether to agree or disagree with this statement.

Figure 10 Perception that urbanization and immigration is the cause for the current high house prices by Total Monthly Family Income (% within Total monthly family income)

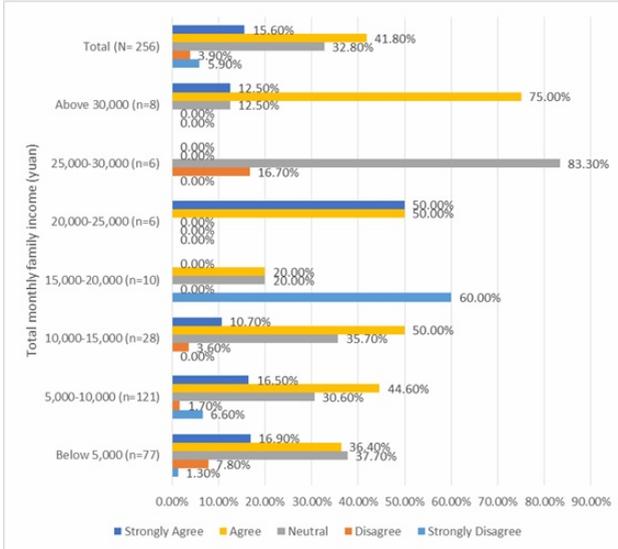


Figure 11 Perception that urbanization and immigration is the cause for the current high house prices by Age

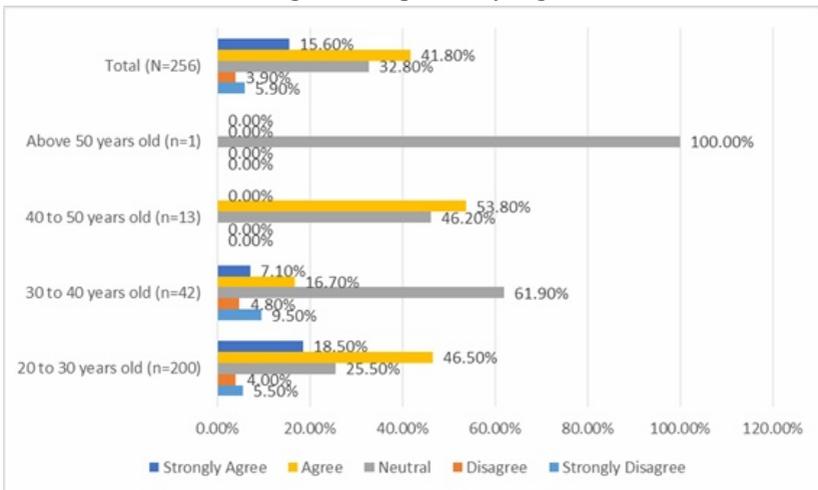


Figure 12 Perception that speculation of individual investors is the cause of soaring house prices by Total Monthly Family Income (% within Total monthly family income)

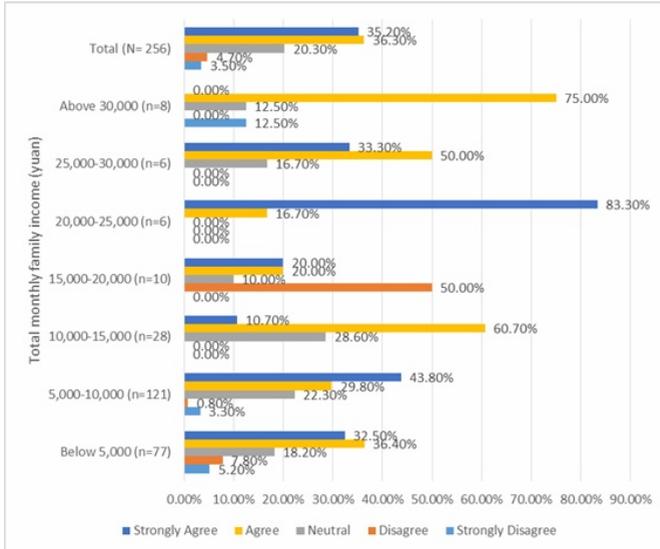


Figure 13 Perception that speculation of individual investors is the cause of soaring house prices by Age

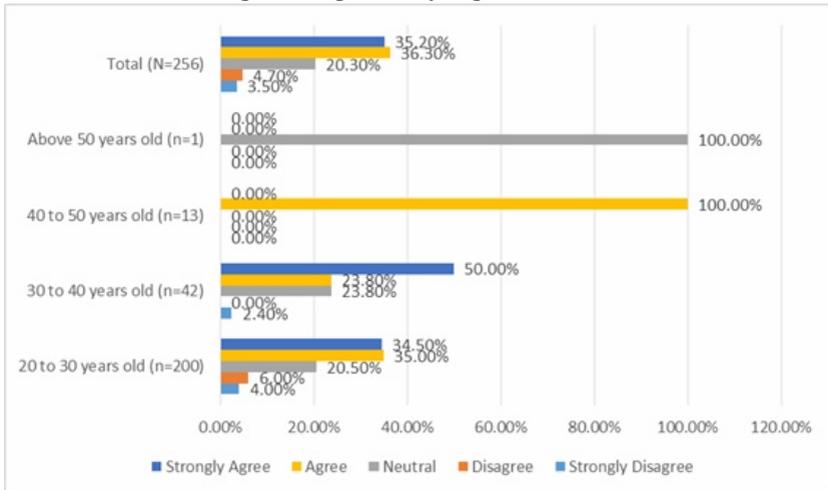


Figure 14 Perception that the lack of supply of residential land is leading to high house prices by Total Monthly Family Income (% within Total monthly family income)

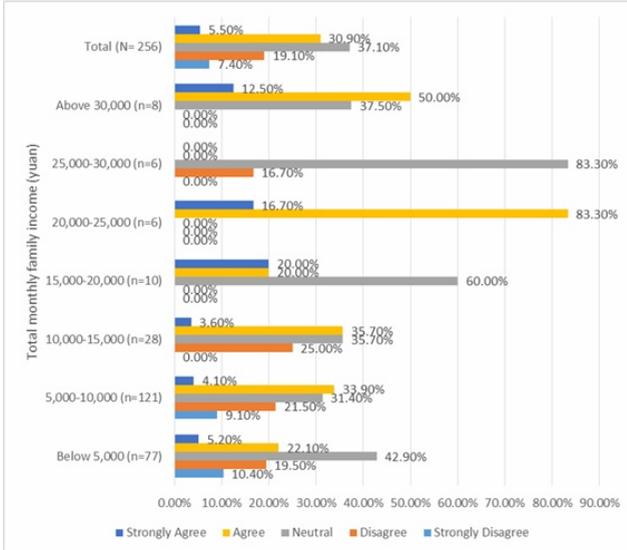
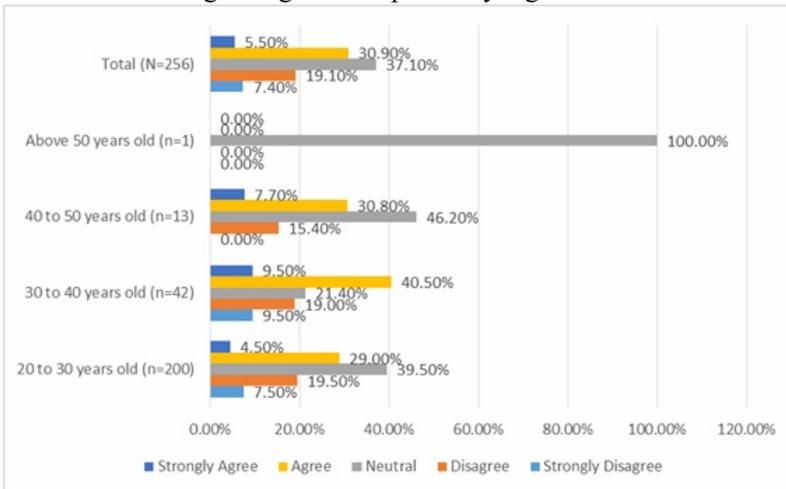


Figure 15 Perception that the lack of supply of residential land is leading to high house prices by Age



- Besides the large number of respondents (37.1%) who are not sure of their opinion regarding the lack of supply of residential land, a total of 93 out of the 256 respondents (36.4%) agree that the low supply of residential land is leading to high house prices. A small percentage of respondents (26.5%) disagree with this statement. Similar ambiguity is reflected in perception by income level and by age group.
- A major portion of the respondents (35%) agree that increased demand for houses in China is one of the factors for the high house price. A total of 16% disagree with this statement while only 4.3% of the respondents strongly disagree. The percentage of respondents who remain undecided is 26.2%.
- A total of 33.6% of the respondents agree that the government should ease the policies for housing loans while 9.0% strongly agree with this statement. A total of 16.4% and 6.6% of the respondents respectively disagree and strongly disagree with the easing of government policies on housing loans. About one sixth of the respondents (16.4%) remain undecided in this matter.
- On the other hand, a major portion of the respondents (29.3%) disagree with the notion that the lack of housing supply is the reason for the high house prices in China while 14.1% of respondents strongly disagree. A total of 27.3% of the respondents remain neutral on this. A total of 29.3% agree that the lack of housing supply is the reason for the increase in house prices while only a small number (2.7%) of respondents strongly agree.
- A total of 79.3% of the respondents agrees that the huge wealth gap is a reason for the increase in Chinese house prices. Such grievance against income inequality as affecting house prices is particularly obvious among those of the lower income groups (with monthly family income below 15000 yuan, 10000 yuan and 5000 yuan) and among those in the younger age groups (below 40 and below 30), though the relatively smaller sample sizes of those in the categories exceeding 15000 yuan and those above 40 years old need also to be take into consideration before deriving definite conclusions about determinants of social discontents. As a whole, only a small proportion of 8.6% of the respondents do

Figure 16 Perception that the huge wealth gap is a reason for the increase in Chinese house prices by Total Monthly Family Income (% within Total monthly family income)

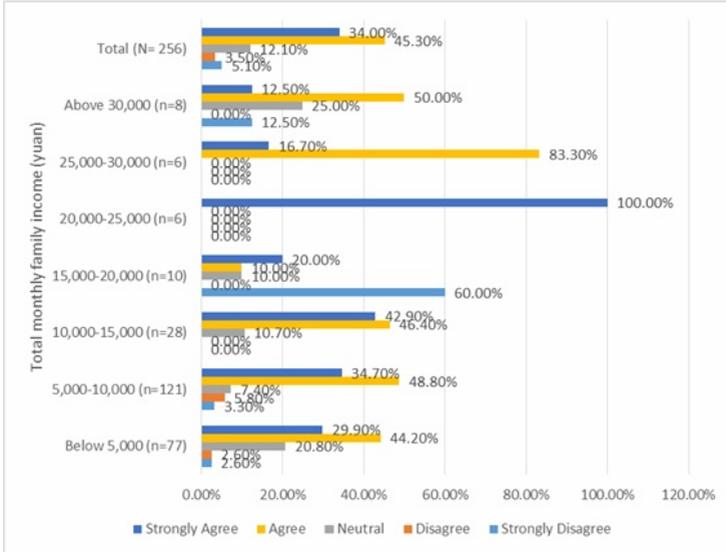
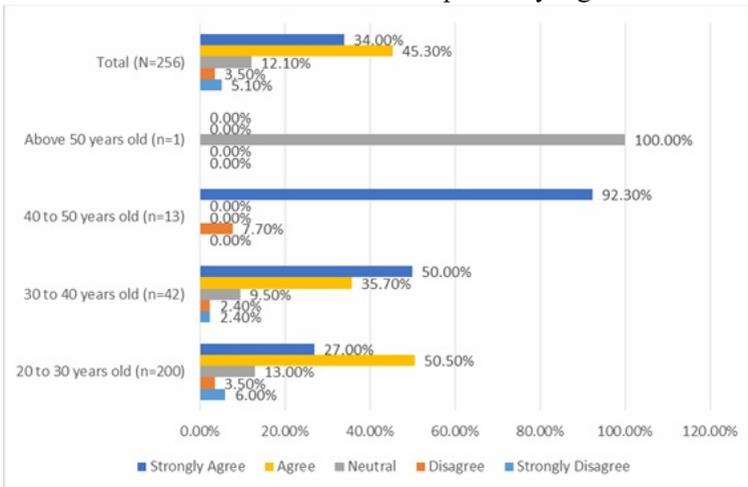


Figure 17 Perception that the huge wealth gap is a reason for the increase in Chinese house prices by Age



not agree that the big wealth gap is the cause of the current situation. Only 5% of those who participated in this study remain neutral.

- A major portion (33.6%) of the respondents agree that the increase of disposable income leads to an increased in prices of houses in China. A total of 32.4% of the respondent are undecided on whether increasing savings rate leads to increase in house prices. A large number of respondents (35.5%) are indecisive about the land policy being related to the high house prices.

4.4. Intention to Own a House

- The majority of the respondents (44.54%) are currently renting a house or dormitory. Among the respondents, only 28.1% are staying in houses that they bought themselves, 14.51% stay in affordable and economical houses and 6.1% are living in welfare houses. A small number of respondents are either living in a villa (2.7%) or in a second-hand house (2.7%). Only a handful of respondents (0.8%) stay in government-assisted houses.

- There are five ways to get a house in China. Many of the respondents (30.9%) bought their houses through a loan from the banks while 27.3% of the respondents say that they bought their houses by themselves. Twenty-one respondents report that they got their houses through welfare distribution. A total of 61 of the respondents (23.8%) mention that their parents helped them to buy a house. A total of 9.8% share the fact that the house they currently stay in once belonged to their elders.

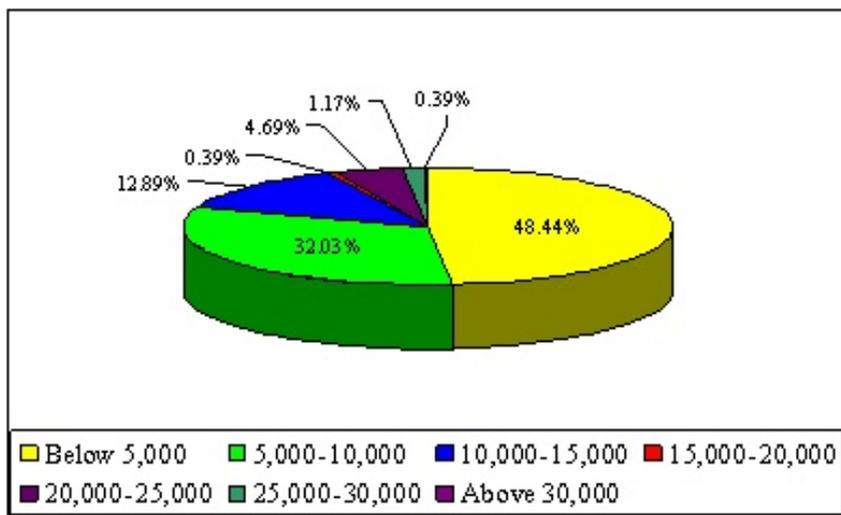
- Regarding the respondents' purpose about buying a house, more than three quarters of the respondent (77.3%) mention that they bought a house to live in. Buying a house for marriage was the purpose of 12.5% of the respondents. Only a handful of respondents (0.78%) said they bought the house for both residential and commercial purposes, and a small number of respondents (1.6%) mention that they bought the house for investment purposes.

- On the determinants of buying a house, Table 4 indicates that nearly half of the respondents say not having a house only influences the convenience of living.

Table 4 Opinion on Importance of Buying a House and Consideration of Buying a House

<i>Whether being without a house influence daily life</i>	<i>Frequency</i>	<i>Percent</i>
No influence	23	9.0
Only influences convenience for living	141	49.2
Influences marriage	93	36.3
Influences enjoying welfare policy	14	5.5
<i>Considering buying a house</i>	<i>Frequency</i>	<i>Percent</i>
I am ready to buy a house within five years	64	25.0
I am not sure; it depends on the trend of housing price	90	35.2
I want to buy a house, but I cannot afford it	79	30.9
I do not intend to buy a house	23	9.0

Figure 18 Acceptable House Price per Square Meter



Not having a house influences the marriage life of 36.3% of the respondents, while 9% respondents mention that not having a house does not influence their daily life. The majority of the respondents (35.3%) mention that they are not sure about buying a house as it all depends on the current housing prices. About 30.9% of the respondents state that they want to buy a house, but they cannot afford to pay for the house. On the other hand, a quarter of the respondents are ready to buy a house in five years. A small percentage of respondents (9.0%) do not intend to buy a house.

- On factors to consider when buying a house, most of the respondents (77%) state that the factor to consider when buying a house is the traffic condition. Other determinants of buying a house are its price (74.6%), education (67.2%), location of the house (66%), land appreciation (51.2%) and housing policies (49.6%).

- On house affordability, Figure 18 illustrates the housing price that the respondents can accept. Four fifths (80.5%) of the respondents can accept square meter that costs below 10 thousand yuan. The price range of 10 to 20 thousand yuan per square meter is still acceptable to 13.3% of the respondents. Barely 5.9% of the respondents can accept the price range of 20 to 30 thousand per square meter while very few (0.9%) claim that 30 thousand and more is reasonable.

- On floor space, the majority of the respondents (70.3%) reports that a house that is 80 to 120 square feet is sufficient enough for living. Less than a fifth of the respondents (18.8%) express that they require a house that is within 120 to 160 square feet. Only 6.3% of the respondents say that a house under 80 square feet is all that is required, while 4.7% state that the house must be above 160 square meters.

- Table 5 shows that at least 53.3 percent of respondents whose monthly household income is below RMB5,000 yuan can afford house prices currently below RMB5,000 yuan. Those in the monthly household income group between RMB10 thousand to RMB20 thousand yuan are paying below RMB5,000 of

Table 5 Acceptable House Price by Monthly Household Income

		Monthly Household Income (yuan)				Total
		Below 10,000	10,000- 20,000	20,000- 30,000	Above 30,000	
House price respondents can accept (yuan)	Below 5,000	53.5%	28.9%	8.3%	75.0%	124 (48.4%)
	5,000- 10,000	33.3%	21.1%	50.0%	25.0%	82 (32.2%)
	10,000- 15,000	8.1%	34.2%	33.3%	0%	33 (12.9%)
	15,000- 20,000	0%	2.6%	0%	0%	1 (0.4%)
	20,000- 25,000	4.5%	5.3%	8.3%	0%	12 (4.7%)
	25,000- 30,000	0%	7.9%	0%	0%	3 (1.2%)
	Above 30,000	0.5%	0%	0%	0%	1 (0.4%)
Total		198 (100%)	38 (100%)	12 (100%)	8 (100%)	256 (100%)

Note: As $\chi^2=4.626$, at $df=1$, $Pvalue=0.031$. Thus significant.

house prices, accounting for 28.9 percent. About 8.3 percent of those with the monthly household income group between RMB20,000 to 30,000 yuan can accept house price below 5000 yuan. 75 percent of the respondents whose monthly household income is above 30,000 yuan can afford below 5,000 yuan of house price per square meter.⁹ The results can support the conclusion that acceptable house price relates to their total household income.

Table 6 Demand for House Area/Floor Space by Monthly Household Income

		Monthly Household Income (yuan)				
		Below 10,000	10,000-20,000	20,000-30,000	Above 30,000	Total
Demand for house area/floor space	Below 80 square meters	5.1%	15.8%	0%	0%	16 (6.3%)
	From 80 to 120 square meters	76.8%	52.6%	58.3%	12.5%	180 (70.3%)
	From 120 square meters to 160 square meter	15.2%	31.6%	41.7%	12.5%	48 (18.8%)
	Above 160 square meters	3.0%	0%	0%	75%	12 (4.7%)
Total		198 (100%)	38 (100%)	12 (100%)	8 (100%)	256 (100%)

Note: As $\chi^2=25.925$, at $df=1$, $Pvalue=0.00$. Thus significant.

It should be noted that although some people have income less than other people, their might have much richer parents. Besides, some of them have performance pay, for example, sales people only have a low salary, but they have a high performance pay.¹⁰ Therefore, some people sometimes have low salary, but they can pay a higher house price.

- As shown in Table 6, respondents whose monthly household income is below 10 thousand prefer to choose house area from 80 to 120 square meters.

Table 7 Type of Housing Respondents Live in by Monthly Household Income (% in brackets)

		Monthly Household Income (yuan)				
		Below 10,000	10,000- 20,000	20,000- 30,000	Above 30,000	Total
Type of housing respondents live in	Renting housing and dormitory	100 (50.5%)	14 (36.8%)	0	0	114 (44.5%)
	Buying commercial housing by relying on oneself	49 (24.7%)	14 (36.8%)	7 (58.3%)	2 (25%)	72 (28.1%)
	Affordable and economical housing	26 (13.1%)	6 (15.8%)	4 (33.3%)	1 (12.5%)	37 (14.5%)
	Welfare housing	14 (7.1%)	3 (7.9%)	0	0	17 (6.6%)
	Villa	3 (1.5%)	0	0	4 (50%)	7 (2.7%)
	Government- assisted housing	1 (0.5%)	0	0	1 (12.5%)	2 (0.8%)
	Second-hand housing	5 (2.5%)	1 (2.6%)	1 (8.3%)	0	7 (2.7%)
Total		198 (100.0%)	38 (100.0%)	12 (100.0%)	8 (100.0%)	256 (100.0%)

Note: As $\chi^2=17.096$, at $df=1$, $Pvalue=0.00$. Thus significant.

Nevertheless, this same preference is obvious too for those with other monthly household income.

- On the other hand, as shown in Table 7, among respondents whose monthly household income is below 10,000 yuan, most of them (about 50.5%) are renting a house and dormitory, about 24.7% have purchased commercial housing by relying on themselves. 13.1% and 7.1% of the respondents are living in affordable & economical housing and welfare housing respectively.

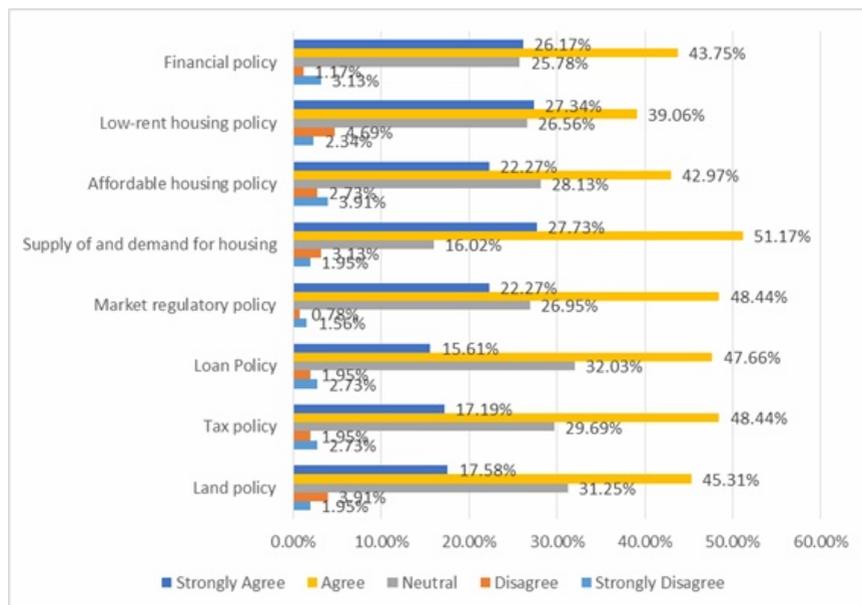
There are no respondents whose monthly household income is above 30,000 yuan living in rent and dormitory or second-hand house. This is a common phenomenon. Among the high household income group, 25.0% and 12.5% have purchase a commercial house or affordable and economical house. This is because at the beginning the Chinese government does not have detailed regulations about affordable and economical house, about who can buy this kind of houses.

Among respondents whose monthly household income is between 10,000 and 20,000 yuan, the same proportion (36.8%) live in rent and dormitory or buy commercial house. Among this group, those who have purchased affordable and economical houses or welfare houses account for 15.8% (6 participants) and 7.9% (3 participants) respectively, and these percentages are less than those whose monthly household income is below 10,000 yuan.

- Impact of government's housing policies on house prices, Figure 19 summarizes the fundamental measure to stabilize the house prices. The findings show that the respondents believe that the best ways to stabilize house prices in China are by adjusting several policies. These policies include tax (48.4%), loan (47.4%), land (45.3%), and finance (43.8%) policies. Other ways of stabilizing the prices of houses are by controlling the supply of and demand for houses (51.2%), regulating market policies (48.4%), putting forth affordable housing policies (43%) and implementing low rent policy (39.1%).

- Regarding public responses regarding the effectiveness of government policies for suppressing the housing prices, more than half of the respondents (51.7%)

Figure 19 Opinion on Most Fundamental Measures to Stabilize House Prices



mention that government policies do not determine the price of houses in China. Such lack of confidence in immediate effectiveness of government action on suppressing rise in house prices compared to the opposite, favourable view and perception on future prospects is particularly obvious among those of the lower income groups (with monthly family income below 10000 yuan and 5000 yuan) and among those in the younger age groups (below 40 and below 30), though the relatively smaller sample sizes of those in the categories exceeding 10000 yuan and those above 40 years old need also to be take into consideration before deriving definite conclusions. As a whole, a quarter of the respondents agree that government policies effectively curb the house prices and maintain the status quo. The rest (28.3%) state that government policies influence the future prices of houses in China.

Figure 20 Perception that government policies are effective in suppressing house prices by Total Monthly Family Income (% within Total monthly family income)

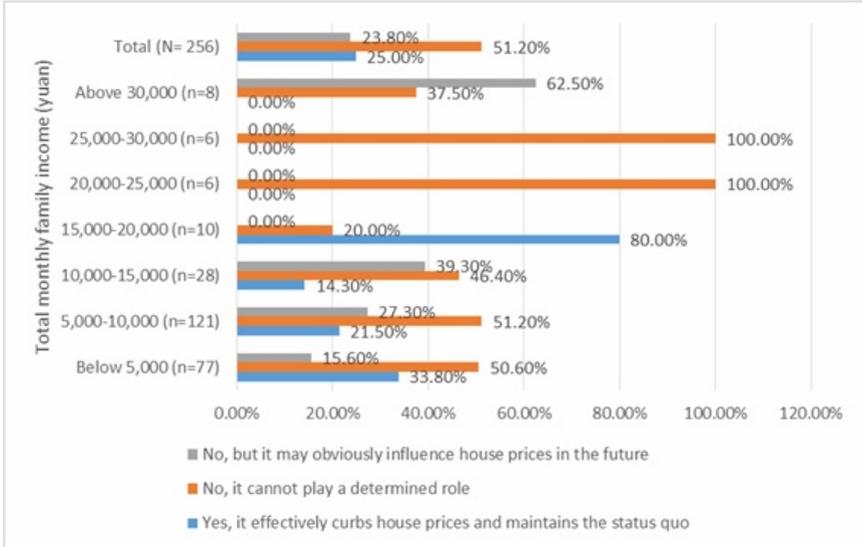
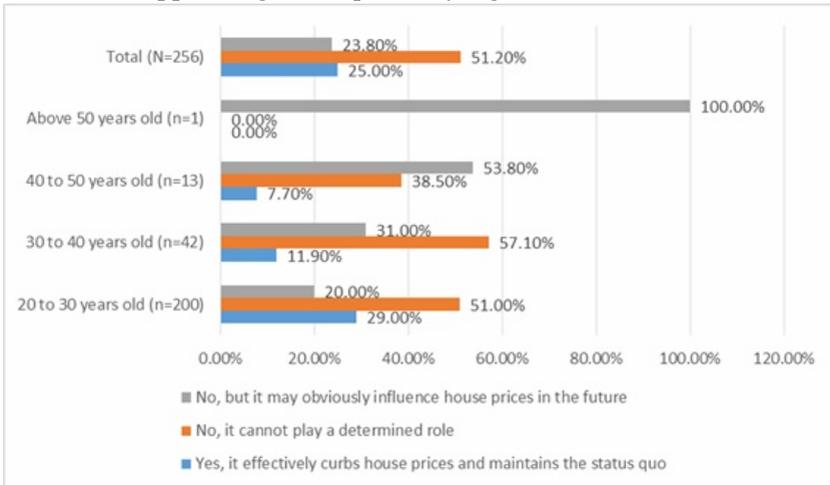


Figure 21 Perception that government policies are effective in suppressing house prices by Age



- Regarding public responses to house prices, more than half of the respondents (56.5%) consider the salary when they work before they decide on buying a house. More than one quarter (27%) of the respondents will consider the location of the residential area before committing into buying a house. The high cost of buying a landed property is the motivation to work hard for 11.3% of the respondents in order to gather the necessary money to buy a house. Only 5.1% of the respondents are willing to pursue a higher education in order to get a high-paying job that can pay for a house.
- Regarding public responses to the newest housing policy, a large number of respondents (65.2%) occasionally hear about and understand the new housing policies in China. A total of 22.7% of the respondents state that they often read and understand the new housing policies introduced and implemented by the government. Only a handful of respondents (3.1%) read about the new housing policies every day while 23 respondents (9%) hardly know anything regarding the new housing policies.
- Regarding public perception of difficulties that the government is facing the majority of the respondents (29.7%) believe that contradiction between the shortage of land and the demand for land resources cause the governmental macroeconomic adjustment hard to control and adjust. About 26.6% consider contradiction between social justice and efficiency of market operation as the main difficulty to control and implement housing policy. Almost 21.9% of participants believe that a contradiction between supply of and demand for housing makes macroeconomic coordination difficult. Similarly, 21.9% of the respondents think that the contradiction of the goal between the central government and local government makes macroeconomic adjustment difficult. The findings illustrate public perception of the reason why Chinese government's housing policies cannot achieve the best effect for controlling housing price. It is interesting to see that contraction between social justice and efficiency of market operation as hampering efforts of the government in controlling house prices is felt most acutely by the youngest age group (below

Figure 22 Perception of the difficulties that the government is facing in controlling house prices and implementing housing policy by Total Monthly Family Income (% within Total monthly family income)

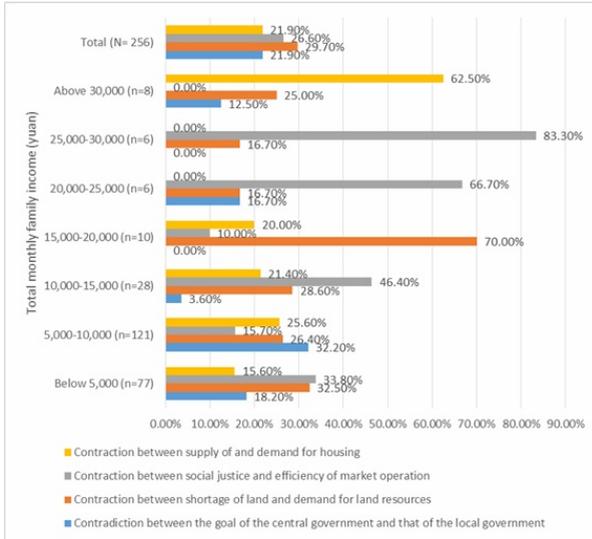
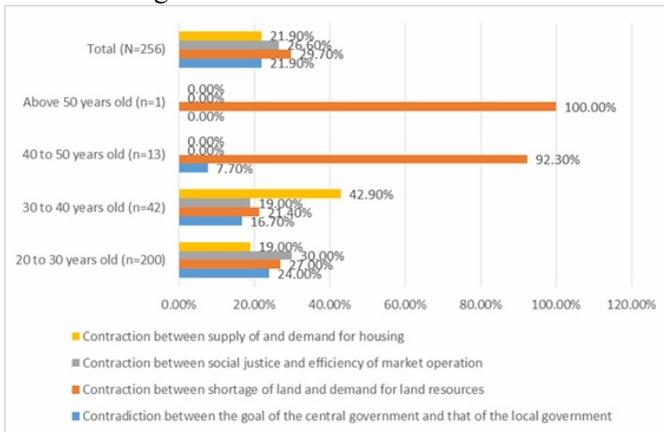


Figure 23 Perception of the difficulties that the government is facing in controlling house prices and implementing housing policy by Age



30), while the findings among income groups are more ambiguous with the feeling found more acutely among those with monthly income below 5000 and those within 10000-15000 category, much more than those within the 5000-10000 category – a lack of conclusive evidence, as we observed before, could be partly attributed to variations in sample sizes among income categories.

- About opinion on steps taken by the Chinese government in controlling house prices, we find a quarter of the respondents mentioning that the central government should take advantage of tax policy to adjust consumption and benefit of housing. A total of 18% of the respondents state that the government must establish and improve laws and regulations. More than a sixth of the respondents (15.6%) say that more stringent differential housing credit should be implemented. Thirty-three of the respondents (12.9%) suggest that the government must adjust the structure of housing. About 11.7% of the respondents mention that the government has to establish systems of assessment and accountability. Twenty-two of the respondents (8.6%) say that effective financial policies must be implemented. The remaining 8.2% of our 256 respondents suggest that residential land should be increased.

After providing the demographic characteristics of the respondents, this section has proceeded to reveal the different perceptions and opinions of the respondents regarding house prices and the Chinese government's housing policies. The findings reveal public perceptions and opinions about the current house prices and trend of house prices, reasons behind high house prices, determinants of purchasing a housing, housing affordability which includes the relationship between household income and house prices, the requirement about residential area, and the type of housing the respondents live in.

In addition, it also reveals public views of the impact of the Chinese government's housing policies on house prices. It also shows public responses concerning house prices, governmental policies, the newest

housing policies and the difficulties of macroeconomic adjustment. Lastly it also presents some measures that the respondents want the government to implement or adjust.

5. Conclusions

Chinese house prices have been receiving huge coverage in both the domestic and the international media. Although the Chinese government has implemented many policies to control house prices, especially house prices in the big cities, it is obvious that there is disequilibrium between demand for and supply of houses. Even though numerous housing policies have been put in place to overcome that, house prices in China are still rising. The Chinese government cannot provide sufficient number of housing units for its citizens and this causes the house prices to continue to rise. Many Chinese citizens from the low- and middle-incomes group find it difficult to purchase a house in the cities due to high house prices. This paper covers the current situation of house prices in China, introduces the existing state of affairs about the Chinese housing market, explores a series of important reasons for high house prices, examines various public policies the Chinese government is using to control real estate, as well as reveals the governments' and citizens' response to increasing house prices. For this paper, a questionnaire was used to gather information regarding the opinion of the Chinese citizens. There are 256 completed questionnaires. The respondents were from different cities in the different regions of China.

5.1. Perception of the Current Situation of Housing Market in China

It was found that more than half of the respondents (60%) express the view that the house prices are too high and have exceeded their monthly income. According to Chen and Wen (2015), house prices have

experienced rapid growth in China, increasing faster than China's aggregate income, and a study of 35 major cities in China found that average real house prices have grown at an annual ratio of around 17 percent for the past ten years, far exceeding the nation's 10 percent average gross domestic product growth in the same period. More than half of our respondents (57.4%) believe that the price of houses in China will increase, but the increase will slow down.

5.2. Opinions on Reasons of High House Prices

The following are the respondents' opinions on reasons why the prices of houses in China are increasing so fast. The first reason perceived is that the local government starts to ease the house prices. The housing sector has a close relationship with the growth of the economy. According to this view, if the local government eases house prices, their economic performance index will easily suffer. Therefore, compared to controlling the house prices, the local governments actually prefer to see the phenomenon of prosperity. The second reason perceived is weak central government control of the property market. Since the reform of housing system has been accomplished, the central government eases control of the housing sector. Being market-driven, house prices soar and the market fails to adjust the high house prices fast. The third reason perceived is the fast development of urbanization and immigration that leads to an imbalance relationship between demand for and supply of houses. Migration increases the demand for residential housing and therefore can influence prices (Garriga *et al.*, 2016). Other reasons perceived also include real estate speculation by individual investors, lack of residential land, government easing housing loan, a huge wealth gap between rich people and poor people, rise in disposable income and savings rate and finally land policies introduced and implemented by the government.

5.3. Determinants of Purchasing a House

Our respondents indicate that factors such as location, land appreciation, education, policies on housing units, especially on housing prices, and convenient traffic are the reasons why they have decided to buy a house. For example, we mentioned that “*hukou*” can give Chinese citizens better welfare and education. If the Chinese citizens want to secure “*hukou*”, they can buy houses in these cities. Of course, people have to consider the housing prices when they want to buy houses.

5.4. Housing Policies in China

The Chinese government has introduced and implemented housing policies to lower the prices of houses. Policies such as land policy, tax policy, loan policy, financial policy, affordable housing policy, low-rent housing policy and market regulatory policy are implemented to balance the demand for and supply of houses and lower the housing prices. Although these policies have some influence on house prices, the government has to accept the fact that house prices are still rising. Therefore, strengthening housing policies are necessary. On the contrary, those policies which only have the form but are not effective need to be canceled. In addition, only 0.8% and 6.1% of the respondents are living in government-assisted housing and welfare housing respectively. Thus, the government needs to strengthen the implementation of these policies and enable more low- and middle-income households obtain home ownership.

5.5. Public Perceptions and Responses

Half of the respondents believe that the Chinese government policies will influence the trend of house prices. Half of the respondents are still doubtful about the government’s role in implementing the current

housing policies. This is due to the fact that prices of houses in China are still skyrocketing.

In terms of responses to high house prices, a majority of the respondents will consider the salary when they find a job before they decide to buy a house. Almost one third of the respondents will consider the residential area. The Baidu encyclopedia (the Chinese search website) indicates that most first-tier cities such as Shenzhen and Guangzhou account for the top ten in high house prices. In such cities, the residential area becomes important consideration for some citizens with lower-than-average monthly household income.

In terms of public responses to the new housing policy, a large number of respondents occasionally hear about and understand the newest housing policies in China. Housing price is a hot topic among the people.

In terms of public perception of the difficulties that the government is facing in macroeconomic adjustment, the majority of the respondents attribute that to the contradictions between the central government's goal and the local government's goal. The shortage of land and the demand for land resources, social justice and efficiency of market operation, supply of and demand for housing which are difficult to coordinate are among the difficulties considered by the respondents. Because of these contradictions, some policies lose their effectiveness. For example, the central government wants to control housing prices, but the local government wants to accelerate the development of the housing industry and achieve the goal of performance.

Finally, most of the respondents offer some steps to control house prices. For example, taking advantage of tax policy to adjust consumption and benefits of housing is a good approach. In other words, the government can try to narrow the wealth gap through personal income taxation of the rich, and this will reduce the rich's opportunity of

purchasing another house. Establishing laws and regulations on housing and implementing more stringent housing policies are necessary. Adjusting the structure of housing, increasing residential land, and establishing a system of assessment and accountability are feasible schemes. Only when different levels of governments shoulder this common responsibility, housing prices can be controlled.

5.6. Recommendations and Limitations

In conclusion, this study has demonstrated that the house prices are very high in China and the house prices exceed the average annual income of most people. In addition, the factors that contribute to higher house prices, as perceived by the people, have been identified. The Chinese government has implemented policies to control and adjust house prices, although some of these policies have failed to achieve the desired results.

Some recommendations can be given as follows. First, as shown in our findings, the higher the level of education of respondents, the higher monthly household income they have. Thus, the government should improve the level of citizen's education in the long term. The findings reveal that education has a close relationship with income. Those respondents with higher education have higher income and thus can afford to buy houses even if the prices are high. The government should take the responsibility to improve the level of education. Secondly, the development of the housing market should rely on governmental policies. The government should implement effective measures to guarantee the welfare of the low- and moderate-income groups, for example, place-targeted policies which means promoting the development of urban villages. That is to say, the government should invest directly in buildings in urban villages or induce companies to construct affordable houses there by reducing taxes. This reduces the

housing cost for the poor who have migrated from backward areas to wealthy areas. This policy will enable more people to buy houses in cities. Although this policy is beneficial for low-income households, if people could not understand the policy they will not be able to enjoy the benefits from the policy. Therefore, to implement with higher effectiveness, it is important that the policies have to be known and understood by the people.

The third recommendation is that the government should have detailed standards or laws to prevent the speculative activities of individuals. Speculation of individuals will increase the house prices. Thus, the government should tackle this kind of problems in order to guarantee that every citizen can buy their own houses. The fourth recommendation is that the government should build more affordable housing, including welfare houses, government-assisted housing and low-rent housing. The fifth recommendation is that punishment and controlling mechanism should be strictly implemented. The sixth recommendation is to narrow the wealth gap and reduce poverty in order to enable more people to enjoy welfare and fairness in housing.

The data for this study were collected during the final four months of 2015. The opinions of the respondents might have changed after that in response to some new policies implemented. The policies discussed in this paper were all implemented before April 2016 and some new policies introduced by the government thereafter could be different from those highlighted and discussed in this paper.

In terms of sample, the findings could be more representative and accurate if the study had covered more cities and citizens. Furthermore, as we were using a quantitative approach, it might not have provided enough details regarding the opinions of the Chinese citizen compared to a mix of quantitative and qualitative methods. In this regard, housing investors and developers should have been covered in the study, because

they are treated as a main body in the housing market. Finally, the huge economic transformation that is undergoing in China and its volatile socioeconomic contradictions amidst expanding income gap have made the perceptions of the younger generation and lower-income groups particularly important for policymakers to take into consideration. However, besides the limitation due to variations in sample sizes across income categories and age groups (with the sample mainly covering lower-income groups and those with age below 50) that has posed some constraints in explanatory power and in deriving conclusions, space limitation also makes a more detailed treatment of this important aspect beyond the scope of the present paper.

Notes

⁺ An earlier version of this paper was presented at the Conference on “Cross-Boundary Public Governance: Dialogue and Cooperation”, organized by the Chinese Association of National Competitiveness (CANC) in New Taipei City, Taiwan, 30th September 2016.

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the founder and editor of the institute's then SJR top-tier Scopus-indexed triannual academic journal, the *International Journal of China Studies* (*IJCS*, Vol. 1, 2010 – Vol. 5, 2014), and is currently also a member of the international editorial committee of several journals in Asia and Latin America. Among his latest publications in recent years are “Political governance and strategic relations: Domestic-foreign policy nexus and China's rise in the global system” (article, *CCPS*, 2016), “The writing on the wall: National and global implications of the ruling Chinese Communist Party's domestic and foreign policies” (article, *CCPS*, 2016), “From Dungans to xinyimin: China, Chinese migration and the changing sociopolitical fabric of Central Asian republics” (article, *CCPS*, 2015), “Nationalism, historical consciousness and regional stability: Rising China as a regional power and its new assertiveness in the South China Sea” (book chapter, Palgrave Macmillan, 2014), “中國—東南亞關係：中國能源安全政策的區域安全戰略分析” [China-ASEAN relations: analysis on regional security strategy of China's energy security policy] (book chapter, Wu-Nan, 2014), “Literacy and education in contemporary China: Daunting challenges amidst rapid economic development” (article, *The Copenhagen Journal of Asian Studies / CJAS*, 2014), “The long shadow of Tiananmen: Political economy of State-civil societal relations in the People's Republic of China twenty-five years on” (article, *IJCS*, 2014), “Poverty reduction, welfare provision and social security challenges in China in the context of fiscal reform and the 12th Five-Year Plan” (book chapter, Routledge, 2014), “Taiwan and Mainland China: Impacts of economic progress and international environment on political trajectory in comparative perspective” (article, *IJCS*, 2013), “Evolving agencies amid rapid social change: Political leadership and State-civil society relations in China” (book chapter, Palgrave Macmillan, 2013), *From Handover to Occupy Campaign: Democracy, identity and the Umbrella Movement of Hong Kong* (edited *Focus* issue, *CCPS*, 2016), *China amidst competing*

dynamics in the Asia-Pacific: National identity, economic integration and political governance (edited special issue, CCPS, 2016), *Crossing the Chinese frontier: Nation, community, identity and mobility* (edited special issue, CCPS, 2015), *China – State, public policy and society* (guest edited special issue, CJAS, 2014), *June Fourth at 25: The quarter-century legacy of Tiananmen* (edited special issue, IJCS, 2014), *Taiwan: Democracy, cross-Strait relations and regional security* (edited Focus issue, IJCS, 2014) and *China: Developmental model, State-civil societal interplay and foreign relations* (edited monograph, 745 pp. + xxi, ICS, 2013). His latest research projects include the Malaysian Ministry of Higher Education/University of Malaya High-Impact Research (HIR) Grant project “The China Model: Implications of the contemporary rise of China” (2013-2016, principal investigator) at the Department of Administrative Studies and Politics, Faculty of Economics and Administration, University of Malaya, and Suntory Foundation/University of Tokyo international research grant project “Beyond ‘China threat theory’: Dialogue with China experts on the rise of China” (2014-2015, Malaysian component). <Email: yeohkk@um.edu.my, emileyeo@gmail.com; website: <http://emileyeo5.wix.com/emileyeoh>>

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1. The National Bureau of Statistics in 2012 indicated the house prices in many big cities such as Shenzhen and Guangzhou were consecutively down for the first four months of the year (Rothstein. 2012).
2. 1 yuan / 元 (Chinese currency Renminbi / 人民幣) is equivalent to about US\$0.147.

3. 北京、上海、深圳、天津、西安、鄭州、蘭州、咸陽、保定、西寧、哈爾濱、昆明。
4. Deng Xiaoping (鄧小平) is the first leader to change the Chinese policies and structure of the national economic system.
5. For the technique of convenience sampling, see Zikmund *et al.*, 2010.
6. According to Sekaran (2003), measurement scales refer to ways to distinguish different types of variables. The measurement depends on the variables that are used for the analysis. The four types of data are nominal, interval, ordinal, and ratio scale. Nominal scale is used by the researcher to get personal messages or demographic information about the respondents. According to Sekaran (2003), nominal scales are used by the researcher for labeling variables, in other words, the researcher can classify items into groups. Zikmund and other authors (2010) present a more clear-cut definition of nominal scale as a type of data that represent the most basic standard of measurement in which labels are distributed to a label for distinction or category purpose.
7. Ordinal scales refer to non-numeric concepts like satisfaction, happiness, and discomfort. Ordinal scale is fitted to measure these variables because it can classify the qualitative differences in the label of interest and permit for the ranking ordering of these classifications in a significant way (Sekaran, 2003). In other words, an ordinal scale is a ranking scale.
8. Questionnaire (English translation of Chinese original):

Section A – Background of Respondents

(1) Your gender – Male / Female

(2) Your marital status – Yes, I am married / No, I am not married

(3) What's your age? – 20 to 30 years old / 30 to 40 years old / 40 to 50 years old / Above 50 years old

(4) What's your highest level of education? – College and below / University/Bachelor / Master and above

(5) What's your occupation? – Teachers (including college and university's teachers) / Public officials (governmental workers) / Self-employed people / Financial employees / Corporate executives / Workers in companies / Students / Doctors / Others

(6) What's your total monthly family income (RMB)? – Below 5,000 / 5,000 - 10,000 / 10,000 - 15,000 / 15,000 - 20,000 / 20,000- 25,000 / 25,000 - 30,000 / Above 30,000

- (7) Where do you live in China? – Eastern Region / Central Region / Western Region
 (8) Which city level you live in in China? – First-tier city / Second-tier city / Third-tier city / Fourth-tier city / Fifth-tier city / Sixth-tier city

Section B – Survey of Chinese Real Estate

- (9) What’s your idea about the trend of house prices in China? – Continuous and quickly to rise / Continuous to rise but the speed will slow / Begin to decrease dramatically / Decline marginally
 (10) What’s the current house price in your city? – The price is much too high and beyond the average family’s income / The price is high, but citizens can accept it, as citizens can loan from the bank / The price is a little high / The price is not high
 (11) What are the reasons that lead to high housing prices?

	1	2	3	4	5
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Local government loosening the housing policies	<input type="radio"/>				
Weak central government control	<input type="radio"/>				
Urbanization and immigration	<input type="radio"/>				
Speculation of individual investor	<input type="radio"/>				
Lacking supply of residential land	<input type="radio"/>				
Increasing demand of houses	<input type="radio"/>				
Government loosening housing loan	<input type="radio"/>				
Lacking supply of housing	<input type="radio"/>				
Increasing of disposable income	<input type="radio"/>				
Increasing of saving rate	<input type="radio"/>				
Huge wealth gap	<input type="radio"/>				
Government loosening land policy	<input type="radio"/>				

- (12) State the type of housing you live in now – Rent and dormitory / Renting housing and dormitory / Buying commercial house by relying on oneself / Affordable and economical housing / Welfare housing / Villas / government-assist housing / Second-hand housing

- (13) What’s the way of getting the housing? – Buying housing by oneself / Work units allocate welfare houses / The elder’s property / Buying housing by loan / Buying housing by relying on parents’ help

- (14) If you do not have a house of your own, do you think it will affect your daily life? – No influence / Only influences convenience for living / Influences marriage / Influences enjoying welfare policy

- (15) Are you considering buying a suite? – I ready to buy the house within five years / I am not sure, it depends on the trend of housing prices / I want to buy, but I cannot afford it / I do not intend to buy house

- (16) What’s the purpose of buying a house? – Resale and appreciate / Living / Marriage / Both residential and commercial / Others

- (17) What are the determinants of buying residential housing?

	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
Location	<input type="radio"/>				
Price	<input type="radio"/>				
Traffic	<input type="radio"/>				
Appreciation	<input type="radio"/>				
Education	<input type="radio"/>				
Policies	<input type="radio"/>				
Others	<input type="radio"/>				

(18) How much house price per square meter that you can accept (RMB)? – Below 5,000 / 5,000 -10,000 / 10,000-15,000 / 15,000- 20,000 / 20,000-25,000 / 25,000 -30,000 / Above 30,000

(19) What's the requirement about residential area? – Below 80 square meters / From 80 - 120 square meters / From 120 -160 square meters / Above 160 square meters

Section C – Housing Policies of Chinese Government

(20) Do you think government policy to suppress the house prices is effective? – Yes, it effectively curbs house prices and maintains the status quo of house prices / No, it cannot play a determining role / None, but it may influence obviously house prices in the future

(21) In housing policies, which do you think is the most fundamental measure to stabilise the house price?

	1	2	3	4	5
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Adjust land policy	<input type="radio"/>				
Adjust tax policy	<input type="radio"/>				
Adjust loan policy	<input type="radio"/>				
Adjust market regulatory policy	<input type="radio"/>				
Adjust supply of and demand for housing	<input type="radio"/>				
Adjust affordable housing policy	<input type="radio"/>				
Adjust low-rent housing policy	<input type="radio"/>				
Adjust financial policy	<input type="radio"/>				

(22) What's the impact on you from housing prices? – Working harder / Considering the wage when I get the opportunity of employment / Choosing residential city / Pursing better education

(23) Do you know the newest housing policy? – Know nothing about it / Occasionally hear something about it / Often read some information about it / Read this kind of information every day

(24) What are the difficulties that the government is facing in macroeconomic adjustment? – Contradiction of the goal between the central government and local government / Contradiction between the shortage of land and the demand of land resources / Contradiction between social justice and efficiency of market operation / Contradiction between supply and demand of housing

Section D – The Future of Governmental Adjustment and Control

(25) If you were a government official, what are the measures that you will take?

9. As this table shows, no matter who are in the high-income group and who are in the low-income group, most of them can accept housing prices below 5,000 yuan.
10. This kind of payment is, however, not permanent.

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Letter to the Editor

LETTER TO THE EDITOR

Letter from Claude Meyer, author of *China or Japan: Which Will Lead Asia?* London and New York: Hurst, with Columbia University Press and Oxford University Press, 2012.

RE: Review of my book by Dr Monir Hossain Moni, published in *Contemporary Chinese Political Economy and Strategic Relations: An International Journal*, Vol. 2, No. 3, December 2016, pp. 1251-1265

Dear Editor,

Following the review of my book by Dr Monir Hossain Moni, I tried to engage with him in an academic exchange of views, as it is common between scholars. However, I failed to get him to engage in this dialogue, having not received any reply from him to my several emails, which surprised me, since he raised in his review several queries, e.g. on page 1259, “I would have earnestly valued his response to my question”.

Instead, I will address some of his comments in your journal and I thank you for giving me the opportunity to do so.

Let me first recall the background of this book. It was written in 2009 and published in French in 2010. Further to the growing tensions between China and Japan, the publisher had asked me to write a short book on China and Japan’s economic and strategic rivalry in Asia. This book was intended for a large public in France, poorly informed on these

questions. Because of the success of the book in France, several foreign publishers expressed their interest. English, Japanese and Chinese versions were therefore published in 2012. The English version under review is a slim volume of 150 pages plus references and index, which paradoxically Dr Moni call “bulky”.

His 13-page review is very critical (“strident criticisms” are his words), except for the last 2 pages where he recognizes a few merits to the book. No problem for me with the book being criticized, it is the rule of the game. Although almost all the 40 reviews of the book have been quite positive, I benefitted from a few criticisms expressed on some minor points. They were expressed in a constructive way, which is not exactly the case in this one. Anyhow, I felt fully rewarded by the overall positive reviews, in particular the laudatory appraisals by some of the world’s most renowned experts on Asia which appear on the cover of the book.

I will not address all the points raised in Dr Moni’s 13-page review but only make a few comments and refute some of his statements which are not valid, in my view.

1. The accurateness of the review

While some comments of the reviewer deserve due consideration, I am wondering whether he read the whole of this slim volume. I was indeed puzzled by the following errors or shortcomings.

(a) On pp. 1252-1253, he writes: “Incontestably, this research covers only East Asia and even without giving any definition of this region” and “I am wondering to see how the book’s creator has completely disregarded all other five sub-regions of Asia”.

“Incontestably” and “completely”? He would have been better inspired, if he had read the following pages of the book:

- All the Asian regions are described on pp. xix, xx, 80, 162, as well as the groupings such as ASEAN + 3, ASEAN + 6, EAS, etc. I even go further on p. 79, where I comment on the difficulty of giving an accurate definition of “Asia” (“more a cultural concept of the Western mind”, I write) and I refer to history, even going back to the Greek historian Herodotus!

- East Asia is defined on two pages (xx and again 162), which read:” East Asia comprises China, Japan, South Korea, Hong Kong, Taiwan and the ten ASEAN countries”.

- Other sub-regions? India is dealt with in several parts of the book, 22 times in total (pp. 3, 5, 14, 64, 66, 81, 84, 91, 100-102, 110-111, 114, 125-126, 128, 150-151, 159, 165, 167). A pretty high number of occurrences for such a slim book!

(b) On p. 1260, he writes: “it is also a rational question why [the author] did not propose the prospect of “China-Japan-India” triangle toward a regional cooperative grouping for the future of entire Asia.”

He would have found the answer if he had read carefully p. 151, where I write: “... Depending on the progress of the Asian Community project, two hypotheses can be envisaged for the second sequence that would unfold from 2030 onwards. If the project resulted in a Community comprising the current participants in the EAS, Japan would doubtless find its place as part of a triumvirate with China and India. The size of India’s population and its strategic clout would limit China’s influence and the Community would be inspired by the democratic values that most of its members share.”

(c) On p. 1261, he writes: “Furthermore, although the book includes a number of references in the French language it does not add any reference in either Chinese or Japanese”. There are 35 references of Chinese or Japanese authors writing in English (for economic statistics, I use Chinese or Japanese sources in the original language). Does the reviewer mean that the references must be in the Chinese or Japanese languages to be trustworthy?

In conclusion, given the above examples, it would seem preferable for this reviewer to avoid qualifying as “slipshod” the work of others, as he does for me on p. 1261.

2. The relevance of the review

I was surprised when I read the review. Indeed, I was wondering why Dr Moni, despite his “so, hectic and precious schedule” as he says, wrote such a long review on a book which “has not been done with great care and inclusive thoroughness” and whose first part “reads ridiculous”.

Even more, if indeed the quality of the volume is so poor and its merits so limited, why to have chosen it instead of one of the so many good books on the topic? I would add all the more as my book has today a basic flaw: written in 2009 and translated in 2011, it does not take into account the many changes having occurred since then in Asia, both in economic and strategic terms.

3. The nature of the book and its intended readership

From my point of view as author, there is a gross misunderstanding in this review as it seems to miss completely the very nature of the book. Consequently, most criticisms appear irrelevant for this type of book. Several times, Dr Moni designates the book as “this research”, etc. and

so, he reviews it as if it were an academic work. Apparently, he did not understand, contrary to other reviewers, that this was a short essay directed – as per the publisher’s request – to a public knowing little about Asia.

On the contrary, my other books and articles in peer-reviewed journals take the academic approach. That is the case for example for my last book which was awarded (co-laureate) the 2015 Turgot Prize (“Best book of the year in economics”) at a ceremony held at the French Ministry of Finance.

True, Dr Moni may have been influenced at first by the fact that the English version was produced by publishers which are mainly academic. But precisely, is it not an indication that these academic publishers found the book worth publishing, even if originally directed to a general public? Anyway, after they had read the book, other reviewers had no doubt about its style and intended readership, i.e. an essay directed to general readership. I would add that in this short and modest book, I tried to use the best available research on these topics to the benefit of readers not familiar with the subject: the book contains 238 footnotes, 235 references and 737 index entries.

4. The title of the book

Dr Moni finds the title quite misleading, since he judges that the book itself does not answer the question (I would add “at least according to his own expectations”). He goes on saying that this title was chosen for commercial reasons. I acknowledge that there is always a difficulty for the choice of a title truly reflecting its content and I accept that this title be questioned. However, it is regrettable that without any ground, Dr Moni explains that the choice of this title must be by a commercial motivation.

5. The structure of the book

Dr Moni writes that that “only the book’s second half ... considers its theme” and that “the first half of the volume, which has reiterated what is already discovered in the existing related literary works, reads ridiculous”. I would answer the following.

I consider that the first part (historical developments of the China-Japan relationship and respective economies) constitutes a precondition, as well as the necessary background, for discussing on a robust basis their strategic rivalry for leadership in Asia (second part). My approach may be too French and Cartesian. Indeed I have been educated through Descartes, Diderot, Braudel, etc. but is my approach so different from Paul Kennedy’s one in *The Rise and Fall of the Great Powers*? So I do not see why the first half would “read ridiculous” in trying to give a fair account of history and economics before exploring the two countries’ rivalry. Anyhow, I think that it is healthy to have different approaches to this topic, whether from America, Asia and Europe: I was told that one reason for the success of the Chinese translation of my book was precisely that the author expresses some French/European views on the topic.

6. “Nothing new in this first part”

In writing that there is “nothing new ... in this first part ... which has reiterated what is already discovered in the existing related literary works”, the reviewer is quite right, since as it was neither my aim nor my assignment. My ambition was quite modest, i.e. to make available to the general public the best research which I have studied, as I do with my graduate students. As explained earlier, such criticism of the reviewer stems from a misunderstanding of the very nature of the book.

So I would have rather expected to be criticized, if there were some grounds for it, on the quality and relevancy of the research referred to in bibliography, footnotes, etc. Referring to the examples already given in the part “5 – The geographical scope”, it seems doubtful that such items were even checked.

7. The second part of the book

This is obviously the most important part of the book and it is on these different issues raised that a dialogue would have been fruitful, if the reviewer had accepted my suggestion to exchange views. Indeed he raises several questions and formulate several criticisms. The latter are sometimes difficult to understand, because he mixes his own points of view, which themselves can be contested.

I do not want to lengthen this text for the sake of your readers and if he wishes, I remain at his disposal for clarifying some issues. This means on both sides, because some of his statements are for me either unclear and possibly contradictory or even irrelevant.

8. A most unpleasant insinuation

Dr Moni writes on p. 1261: “Contrary to a review of this book published as a producer’s puff in *The Japan Times* ... that ill-advisedly advertises ‘Busy readers who want to quickly get up to speed on East Asia will learn much from this slim volume, one brimming with a veteran observer’s insights and knowledge’ ...”

This statement in the form of insinuation is most unpleasant as there is a nuance that *The Japan Times*’s review is a publicity for which the journalist could have been suborned, which would question his professional integrity, without speaking of mine. Actually this review, which can be retrieved by your readers at *The Japan Times*’s website,

was signed by a very respected scholar, director of Asian Studies in a US University in Tokyo, with whom I had no contact at all.

To consider a positive appraisal by a respected scholar as an advertisement for the book is a strange way of thinking. Dr Moni does not like my book, it is his perfect right. Is it a reason for him to criticize in such an ambiguous way other reviewers who do not have the same opinion? I have no problem with this reviewer criticizing my work, all the more as I can answer him in your journal. This is not the case for *The Japan Times*'s reviewer and this is, in my view, quite unfair.

Conclusion

Given Dr Moni's "strident" criticisms, I want to better understand his own stances on several issues, in the light of his own works. I found two articles on Google Scholar and a list of other pieces in his LinkedIn profile but unfortunately, none was available in my institution's library, even online. So, I must rely on the way he describes some of his own pieces in his LinkedIn profile: "*Several of his highly-authoritative, intellectually-stimulating and wonderfully-illuminating pieces have also appeared in encyclopedias, etc.*".

For all the reasons given above, I am not sure that this vibrant description of his own work applies to his review of my book. As I said at the beginning, I benefitted from criticisms expressed in some other reviews. After having given full consideration for Dr Moni's arguments, I judge that this is not the case for his review.

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Book Review

Book Review

Zhang Weiwei (ed.), *The China Wave: Rise of a Civilizational State*, Lakewood, New Jersey: World Century Publishing Corporation, 2012, 208 pp. + xiv.

The fast economic growth of the People's Republic of China (PRC) with a non-traditional way has attracted scholars to explore the reality of this phenomenon. "Wade across the stream by feeling the way" which is proposed by Deng Xiaoping is being used as the basic principle of China's economy, governance, and politics. Still, doubt exists among both foreign observers and the local people. Is it the right way that China has chosen to promote itself to be a new civilizational country? Zhang Weiwei tries to explain this controversial issue from a rather positive perspective.

The characteristics and features of China's rise are given in Chapter 1. After 30 years of fast economic growth, China has become the world's second largest economy and its total GDP has increased about 18-fold. "Peaceful rise" is the most important feature of China's development, which means increasing the power of China without affecting the benefits of other countries. In contrast, Japan's modernization had been built on capital accumulation which was acquired through war. In terms of the level of education, healthcare, housing and average life span, China is poised to surpass the United States in the future. Chapter 2 uses the formula $1+1>2$ to explain the engine of China's growth. Coastal

provinces combine the “quasi-developed countries” within China, and interior provinces combine the “emerging economies”. Combination of those two parts produces the amazing effect and the rise of China.

Chapter 3 mainly explains the different way of a rising China. By choosing its own way of development different from the way of the Western world, China has avoided the outcome of disintegration like that experienced by the Soviet Union. Although lacking the foundation of forming a nation-state, China still becomes a nation-state after 1949. China’s rise is a combination of civilization and tradition, and tradition plays an important role for development. Large population, vast territory, long traditions, rich culture, unique language, unique politics, unique society, and unique economy combines the features of China’s civilizational state. As of the advantage of population, territory, tradition and culture, China will not follow the Western world’s model to promote the development of whole society. China should be selectively learning from foreign countries, even for political reform. China also has its own advantages from the perspective of making aims, education, looking after the elderly, saving habit, and looking forward.

The rise of a development model is explained in Chapter 4. The China model seems to be superior to American democratic model as it is a unique extension of the East Asian model which is State-guided. Practice-based reasoning, strong State, prioritizing stability, primacy of people’s livelihood, gradual reform, correct priorities and sequence, mixed economy, and opening up to the outside world are eight characteristics of the China model. China uses its own way to develop to shape the Chinese standards. By combining the Western countries’ theory with its own tradition, China changes itself to be an innovative socialist market economy.

Chapter 5 describes the framework of a new political discourse. State control in some aspects seems to have disappeared or been weakened in China. Political rationalization is more important than Western-style democratization. China's political reform aims at advancing economic development and increasing people's living standards. Western human rights theory has its weakness as it cannot reach the balance between political rights and economic rights. China contributes to the world with its ideas from people's living standards, governance, and efficiency perspectives.

Chapter 6 uses the stories of India and East Asia to end this book. By using the Western model, India's democracy has its weakness such as how populism prevails, and short-term politics thrive. When East Asia countries embrace the Western model, societal division, corruption, and negative economic effect usually appear in those countries. All those issues proved that the Western model is not suitable for China. The last section of this chapter represents a debate with Professor Francis Fukuyama.

As summarized above, this book helps foreigners and even local Chinese to understand the essence of China's development from PRC's perspective in the "open and reform" era. It explores the rise of China from the economic and political perspectives, inducing confidence that the China model is more suitable than Western model for China. Wholly copying the Western model for the Asian countries, according to the book, will bring some weaknesses due to the different culture and history of Western countries. Hence, by using both Chinese wisdom and the advanced technology from Western countries, China follows its own way of development following the dynamic condition. China's economic success, according to the author, proves the right choice of development, as China meanwhile also contributes to the world and sets the standards of diplomacy.

Even as China achieves economic success, there still exists a huge space to advance political reform. Far behind economic reform, the driving force for political reform appears weak. According to the government, freedom to some extent has to be limited, in aiming at peace and stability of the society. The author also brings up the issue of the ordinary people still feeling unsafe as their houses may be facing forced demolition and relocation, as China is trying to solve the social and economic problem. Due the State's security concerns, people in China cannot access Facebook, YouTube, Google and Gmail. Hence, scholars in China have to use proxy or Virtual Private Network (VPN) to access Google Scholar in order to search for academic articles. Under President Xi Jinping's leadership, China is now focusing on anticorruption efforts. However, people still wonder whether this campaign will last 10 years or more, as every new leader in China has a different administrative and policy orientation.

All in all, this is a good book that introduces China's performance and achievement in economy and politics today. It leads us to think critically about every existing theory and model of development. It invites the reader to consider the development path according to an "Eastern" model. This model has its own advantages subject to different country's features. Even if it still needs to be developed, from PRC's perspective in the economic reform era it represents a new model that fits the conditions of China and hence should be respected and recognized by both foreigners and local Chinese citizen.

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