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In Search for a “Smart Balancing Order” in East Asia

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Abstract
The regional order in East Asia today is in the midst of the largest historic transformation since the end of World War II. Tensions are rising among major powers and key nations in the region, and no optimism is warranted if we view the region’s future only from the lens of rationalist perspective of balance of power. This article introduces the “smart balancing” approach as an alternative way to interpreting the relations among key actors, both government and the variety of private actors, and by them jointly pursuing their efforts (and the policy prescription that promotes the efforts) to identify and understand the balancing act based on a smart analysis of their dynamic mutual interactions of peoples, goods, money, and ideas across borders in their totality, beyond the narrow calculations of immediate interests, so that the region would become more stable. It takes a change of mindsets of all of us to find the world is “one” and we are all inter-connected and interdependent in this globalized world. Thus taking a course of mutual threat reduction and mutual trust enhancement makes more sense. The article advocates the potential of East Asian nations to consciously seek the strategy of “smart balancing,” which could bring about a diplomatic
breakthrough to build a more peaceful (and hopefully eventual nuclear-free) regional order, in which the roles of Japan and Mongolia are critical as they can demonstrate a bond with mutually non-threatening, harmonious and collaborative way of strategic partnership.

**Keywords**: Balance of power, Hard balancing, Soft balancing, Smart balancing, Regional order in East Asia, The world is one, Mutual threat perception reduction, Mutual trust enhancement, Japan-Mongolia strategic partnership.

**Introduction**

The regional order in East Asia today is in the midst of the largest historic transformation since the end of World War II. Major powers in the region, Japan, China, and Russia, particularly at the highest political leadership level, are solidifying their political base. Prime Minister Shinzo Abe, President Xi Jinping, and President Vladimir Putin all have comfortably achieved reelection and pursued the record-long regime with no viable rivals in sight, at least for the time being. Across the Pacific, the United States is an external actor to East Asia and a country which has a significant impact on East Asian affairs. Particularly under President Donald Trump, the U.S. serves both as a source of stability and confusion simultaneously. Other countries in the region, Mongolia, North and South Korea, and ASEAN (Association of Southeast Asian Nations) members, are making their best efforts to seize the opportunities opened up by these new configurations among major powers. The magnitude of geopolitical change may amount to the ending of Cold War; thus, this time, such changes may signify the beginning of the process towards a “post-post-Cold War” era, with the diplomatic overtures centering around the divided Korean Peninsula, between North and South Korea, the United States and North Korea, and
prospectively between Japan and North Korea, to bridge the last remaining missing links in the network of diplomatic relations. Certainly, no optimism is warranted in this perceived progress as a series of steps towards a positive direction.

True that the recent fierce exchange of “trade war” rhetoric between the U.S. and China, and their actual mutual and reciprocal enforcement of massive retaliatory duties, certainly raise the level of tensions that can easily wash away any hope for thawing of the otherwise often rocky bilateral relationship. In fact, contrary to the so-called pivot, or “rebalancing,” of its Asia policy, which came rather belatedly in the Obama Administration, America’s long absence from the region did create a power vacuum in which China penetrated with the grand geo-political-economic initiative of One Belt and One Road (OBOR). In East Asia, China’s heightened maritime and naval activities in East and South China Seas were also quite conspicuous when Washington was still entrapped in Iraq, Syria, and Afghanistan. Indeed, China’s military prowess, both in air and naval domains in addition to its traditionally sizable ground force, markedly expanded alongside its rapid economic growth. The United States and China “have bigger problems than a trade war”—so says Michael Dempsey, the former acting director of national intelligence. The strategist ominously argues that a military confrontation between two giant powers may be triggered by such provocative developments like Beijing China’s ever more assertive military and diplomatic postures in the South China Sea, Washington’s recent enactment of Taiwan Travel Act, and President Xi’s visible outreach to President Putin, among others. It will certainly push our pendulum towards a pessimistic outlook.

How, then, do we assess the state of the regional order in East Asia? Should we subscribe to the pessimistic perspective and start preparing for the worst case scenario? Or, can we still bet on an optimistic view and pray for the best? The future, however, is not
predestined. It is the accumulation of the choices we make. It also reflects our collective mindsets. So we should not leave our fate to unfounded hope nor self-fulfilling prophecy. In one perspective, a window of opportunity is open wider than ever if we take into account variables that have characterized the interactions among the actors in the region, large and small, encompassing not just national political, military, and economic factors, but also business-commercial and socio-cultural dimensions. The balance of power and interest among key actors is still highly relevant. But what are the sources of calculating balance in East Asia in general and in Northeast Asia in particular?

This paper challenges the conventional and more competitive worldview of the balance of power and interest, and advocates the case of “smart balancing” among Northeast Asian countries, Japan, China, Russia, South and North Korea and Mongolia, through dynamic contacts and communications for twin process of mutual threat reduction and mutual trust promotion. “Smart balancing” calculations go deep into the realities behind the military and trade balance data and further incorporate all socio-cultural-perceptual elements covering mutual business and commercial transactions, people’s mobility, cultural admiration, historical relations, and the exchange of messages through ICT (information and communication technologies) and conventional media, among others. The trend will growingly be backed by rapid technological changes.

The history of the future is not predetermined, but can be created towards a positive direction by consciously advocating the strategy of “smart balancing,” which promotes open and mutually constructive diplomatic efforts that could bring about a diplomatic breakthrough to build a more peaceful (and hopefully eventual nuclear-free) regional order in East Asia, in which the roles of Japan
and Mongolia are critical as they can demonstrate a bond with mutually non-threatening, harmonious and collaborative ties.

Myth of Imbalance of Power and Interest in East Asia

Traditional balance of power theory constitutes the heart of realist interpretation of international relations. It denotes a sovereign state-centric worldview, in which anarchy is the rule of the game. Thus, states rely on their own physical power, mostly military power alone, or collaborate (alliance) with others by maintaining an edge vis-à-vis adversarial (rivaling) powers so as not to be overwhelmed by the other side. The opposing side is believed to be in a similar position because it correctly follows the rational choice model. This is a characterization of what T.V. Paul calls “hard balancing,” which is an approach of “forming and maintaining open military alliance to balance a strong state or to forestall the rise of a power or a threatening state.” Paul argues that there is another type of balance of power model, “soft balancing,” that “involves tacit non-offensive coalition building to neutralize a rising or potentially threatening power.” He also points out that, in East Asia, “enduring rivalries persist.” So, hard balancing is more prominent in East Asia. Is this true?

Just like the importance of maintaining balance in our life, maintaining healthy balance in international relations is also very useful. But balance is often quite elusive. This is not just because there is a distinction between hard and soft ways of balancing in political dynamics of international affairs, as T.V. Paul says, but because there is a distinction between real and false ways of understanding the balance itself. The question should not be confused with the determination of what constitutes a good or bad balance, because what makes the balance “good” totally depends on the subjective judgment of an actor. What I propose here is an idea to pursue a meta-level observation of balance, the level of “smart
balancing,” to evaluate the health of international order of the world, or a particular region in it.

Here, I defined the “smart balancing” approach as “the efforts (and the policy prescription that promotes the efforts) to identify and understand the balance among key players in international relation based on a smart analysis of their dynamic mutual interactions of peoples, goods, money, and ideas across borders in their totality.

There are two reasons why this approach is “smart.” One is that while the traditional approach of hard and strategic power balance is mostly one-dimensional and tends to pursue the balance among actors for the sake of balance of status quo, a smart balancing perspective adopts a more multidimensional approach. The other reason is that while traditional balance of power analysis draw basic data from, say, national military expenditure or national trade (export and import) amount, the smart balancing approach scrutinizes what constitutes, say, those “national” military expenditure or export/import figures and sees if there “hidden” factors that might change the perception of balance.

First, on the one-dimensionality of traditional hard balancing perspective, an example of the balance of power analysis can be found between the U.S. and Soviet Union during the Cold War period. Here, the two parties tried to maintain their mutual security through their preoccupation of rivalry and contestation; and maintain balance for mutual deterrence to avoid mutual negative consequences, such as a prevention of a third world war with “mutual assured destruction (MAD)” from the use of nuclear weapons by maintaining “strategic balance.” We can argue that it was the time of division between two ideologies, two political systems, and two economic blocs totally separated, with no chance of having more multidimensional perspectives.
It is true that the era was a unique and unusual moment in the history of international relations, which was only possible because of the fear and the compulsion to overcome the fear of most devastating nuclear weapons by possessing and strengthening nuclear arsenal. It is in this sense even more inappropriate to “generalize” what was considered a rather exceptional situation in history as a representation of a normal power relationship. Moreover, a lesson from the history of the Cold War includes the need and wisdom of maintaining certain channels of communication and dialogue for mutual reassurance and trust building, instead of relying solely on the “language of nuclear weapons.” Mutual interdependent relations risk making the actors vulnerable to each other through mutual dependence. However, managing dependence is as important as managing independence. Bridging the isolated actors can often serve the same purpose if the balancing based on isolation is to create a safer world.

In today’s world, interdependence and globalization of goods and services, based on the mobility of people and ideas, are the fact of life. It means the world is gradually moving towards “one.” This sense of “oneness,” however, is often overlooked or underestimated. Therefore, it is important to look at the statistical figures in an “open-minded” way. For example, there is always a myth or misunderstanding in trade data. National data of export and import is the aggregation of sales and purchases that the actors in a country made in relation to the rest of the world. The balance is calculated to see if that country’s net total is positive (surplus) or negative (deficit). There is usually a preconceived idea that the country is on the upper hand if it enjoys a trade surplus, while the state of deficit presents a level of concern for the health of its economy.

The reality should be somewhere in the middle. Exports of Country A may include goods manufactured by the company of
Country B in one region of Country A by employing many local people of Country A. Likewise, imports of Country A may count the products assembled by Company A operating in Country B using technology and materials from Country A and C. People are moving back and forth to study, work or simply tour around and visit friends or family. In total, nationally aggregated data on export and import only explains a fraction of the reality on the ground. We need to look at all these statistics with “openness” of mind and “oneness” of the world.

The “smart balancing” perspective, on the contrary, explores the key objective data sets, such as military expenditure, trade, and investment, among others, and analyzes the level of interdependence while paying additional attention to the mobility of people (students, tourists and government officials, etc.), which is mostly objective in data. The political, economic, and socio-cultural implications are surely reflected in these data, but at the same time, the gaps in technological prowess can be uniquely incorporated to understand the ecosystem which enables the actors to take those political, economic and socio-cultural activities. On top of these, our analysis adds data that is more subjective and emotional in nature, such as the interpretation on historical legacies from past interactions.

The “smart balancing” approach is both descriptive and prescriptive; descriptive in a sense to present the state of affairs of the overall picture of the balancing act among actors, but prescriptive in a sense that the picture will guide us on how we interpret the balance and how to modify or adjust either the numbers themselves, or our interpretation of those numbers, or both, by recognizing the oneness of the world as well as the openness to understand the depth of mutual collaborative reality of international relations. In actuality, our “smartness” lies in our
collective efforts to maintain social order among the actors to promote mutually indivisible peace.

Unlike the one-dimensional world view of a traditional hard and/or soft balancing perspective, in smart balancing perspective, we can find and present more dynamic, interdependent, and history-based mix of competitive but cooperative relations among countries in East Asia.

**Realities in “Smart Balancing Order” in East Asia**

The regional order in East Asia is at a crossroads. Both the leaders and citizens are now faced with a choice between the innovative thinking of pursuing a “smart” interpretation of balancing to live together, or continuously sticking to the traditional worldview, which is characterized by the survival of the fittest type zero-sum game. Where do we start looking at the “realities” and how do we make this important choice?

The numbers represent the levels and magnitude of political, economic, and social interactions among key actors in East Asia. The center of world economic gravity is now shifting to East Asia. Prosperous and peaceful order can be in our hands if we properly manage the relationship among countries in the region. The question is whether we can share prosperity and peace through the smart understanding of the balance of power in East Asia.

The future of wealth in East Asia is visible in numbers. In one projection of world GDP ranking, based on the data from the International Monetary Fund (IMF) from April 2018 tracking the 5-year changes from the year 2018 to 2023, the United States continues to maintain by far the top nominal GDP power in 2023 as well as 2018. China and Japan, the second and third largest economies in the world, also continue to expand their economy, together with Russia, India, Korea, and Indonesia, among others. Chinese and Indian economies continue to rise rapidly; their growth
rates are predicted at 6.86% and 6.74%, respectively. Economic growth rates of ASEAN countries are rising, too, as seen in Vietnam, Malaysia (5.90%), Indonesia (5.07%), and the Philippines (6.67%).

President Trump is furious about the U.S. trade deficit and has been harshly criticizing trading partners, particularly China, at the time when the midterm election in November is in sight. In fact, currently in 2018 figure, the U.S. has the largest trade deficit with five largest trading partners, China ($636 billion traded with a $375 billion deficit), Canada ($582 billion traded with an $18 billion deficit), Mexico ($557 billion traded with a $71 billion deficit), Japan ($204 billion traded with a $69 billion deficit), and Germany ($171 billion traded with a $65 billion deficit). Consumer electronics, clothing, and machinery constitute the top American imports from China. But Amadeo clearly points out many of these imported products are actually assembled by American companies operating in China. Those U.S. companies (subsidiaries) outsourced manufacturing to China and shared profits with Chinese. According to a U.S. Bureau of Economic Analysis survey, U.S. subsidiaries sold $223 billion goods and services in China in 2017. But, as Gina Heeb points out, those subsidiaries are not counted as part of the U.S. trade deficit to China. It is therefore incorrect to believe all the U.S. trade deficit goes to the benefit of China.

Vis-à-vis Japan, automobiles comprise a large share of America’s trade imbalance. But, here, too, there are many U.S. dealers and all those in their supply chain profit from Japanese car sales in the big U.S. market. Adding additional retaliatory duty to Japanese models only penalizes consumers and those American citizens who are dependent on the Japanese auto industry. In this way, the market is one and if we openly analyze the contents of imbalance, it is not a zero-sum game but the sharing of the economic benefit of
goods and services. Further politicization of the issue of trade deficit will fundamentally misconstrue the sources of the issue.

Let's quickly look at the mobility trends of goods (trade), money (investment) and people (tourists) between Japan and China. As Takeshi Sekiyama correctly characterizes in the three charts between the two countries, China has enjoyed a significant trade surplus over the years, but Japan surpassed China in terms of investment, and as far as the number of tourists between the two countries, China increased its number significantly in recent years.\(^{10}\) Bakugai, or explosive shopping sprees by Chinese tourists, in the streets of Tokyo, Osaka, and many other cities are widely reported. It is the policy of the Japanese government to expand the number of “inbound” tourists abroad towards the year 2020 Tokyo Olympic and Paralympic Games, and the number is steadily increasing. Japan welcomed 15.899 million people from across the world in the first half of the year 2018 (January to June) and now has a good probability to reach 30 million inbound tourists this year, well ahead of the anticipated pace and numbers.\(^{11}\) Student exchange statistics show that Japanese students have studied in the U.S. (19,060), China (14,085), Taiwan (6,319), U.K. (3,098) and Germany (1,756) in 2015.\(^{12}\) Japan received students from China (107,260), Vietnam (61,610), Nepal (21,500), Korea (15,740) and Taiwan (8,947), followed by Sri Lanka (6,607), Indonesia (5,495) and Myanmar (4,816), Thailand (3,985) and Malaysia (2,945) in 2017.\(^{13}\) There is a general overall surplus of international students coming to Japan as opposed to the Japanese students studying abroad, and the contrast between Japan and China is significant.
Table 1: Trend of Trade between Japan and China

[Source: Ministry of Finance of Japan, Trade Statistics From Sekiyama, 2017, *ibid.*]

Table 2: Trend of Japan’s Investment to China

[Source: JETRO, Direct Investment Statistics From Sekiyama, 2017, *ibid.*]

Table 3: Trend of Japan-China Peoples Visits

[Source: JETRO, Direct Investment Statistics From Sekiyama, 2017, *ibid.*]
Over the past 15 years, economic and business interactions among countries in East Asia have become much denser than ever before. For example, Table 4 compares the volume of trade of intermediate goods and services surrounding Japan in East Asia. Since an “intermediate good” means “a product used to produce a final good or finished product,” which is mostly “sold between industries for resale or the production of other goods,” it’s mobility can demonstrate the dynamism in global value chain network.

Table 4 Density of Intermediate Goods and Services Trade in East Asia.

![Diagram of Intermediate Goods and Services Trade in East Asia]


The lessons we can draw from these data are two-fold. One is that there is a myth in a hard and traditional balance of power understanding of the world. The interactions among countries in the world are not one dimensional and cannot be measured simply by a single indicator. Surplus does not prove superiority and deficit does not guarantee a disadvantage. The other myth is that even a single indicator may involve multifaceted dimensions, just like the trade figures represent the multinational character as the
production and value chain among companies become more
globalized in today’s world.

So, then, how should we view the total balance among countries? Let us look at the set of balances between Japan and China and see how we maintain the balance in a smart way. Table 5 is the indicative model of “smart balancing” between Japan and China.

Table 5 Indicative Model of “Smart Balancing” Between Japan and China

<table>
<thead>
<tr>
<th>Japan</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ (with the U.S.)</td>
<td>Military</td>
</tr>
<tr>
<td>-</td>
<td>Trade</td>
</tr>
<tr>
<td>+</td>
<td>Investment</td>
</tr>
<tr>
<td>+</td>
<td>Technology</td>
</tr>
<tr>
<td>+</td>
<td>Tourism/Students Mobility</td>
</tr>
<tr>
<td>+ (Democracy)</td>
<td>Governance</td>
</tr>
<tr>
<td>+</td>
<td>Internet/SNS</td>
</tr>
<tr>
<td>±</td>
<td>Nationalism</td>
</tr>
<tr>
<td>-</td>
<td>History</td>
</tr>
</tbody>
</table>

In this table, nine indicators are selected to capture the total nature of contemporary bilateral relations between Japan and China. The indicators cover political, military, economic, socio-cultural, and technological relations and their state of overall balance. Plus (+) means a relative surplus in the balance of said dimension while minus (−) signifies a relative deficit. Plus-minus (±) represents the situation in which both of two sides are equally competitive in that category of relations, although it is important to assess and consider that such competing situations would serve positively or negatively to the entire relations.

Between Japan and China, it is obvious that Japan, in collaboration with the U.S., enjoys a significant edge on China in
terms of its defense and security cooperation while it is true that
China is strengthening its military prowess on the mainland as well
as demonstrating its will and power in the East China Sea and the
South China Sea. China maintains a strong position with regard to
its sovereign rights. Under these circumstances, Japan and the U.S.
need to demonstrate the deterrent function through their military
alliance so as not to further embolden China. Historically, the
indication of a “power vacuum” in the Western Pacific allowed
China become more ambitious.

China’s military activism is not the only concern in the military
field. The threat of North Korean unlawful nuclear ambition has
caused significant criticisms from around the world. What we need
to learn from here in a regional context is that the vacuum is not a
natural phenomenon but a product of inability on the part of
Washington and Tokyo to exert an influence in East Asia. The
impact of joint Japan-U.S. efforts should neither be underestimated
nor neglected. The alliance is not simply for defense cooperation for
any military contingency, but for the foundation of public goods,
serwing as the source of peace and stability in East Asia.

Having looked at the reality in international power politics,
namely the rise of military threat and the corresponding efforts to
deter them, we need to look at another reality, as represented by the
growing interdependence among countries in East Asia.

As seen in the dynamic mobility of money, people, and ideas, the
region is ONE. For Japan and China, they are bound by trade,
investment, technology, tourists and students. People are connected
by the Internet and SNS. History is an issue of high sensitivity
because of its potential for politicization. As far as the historical
baggage Japan has because of its militarist past, China normally
enjoys the upper hand position. In total, Table 5 shows that Japan
and China are mutually interdependent. It is, therefore, “smart” to
realize that the balance of power between the two is not for the sake of balance itself, but for a mutually beneficial relationship.

It is smart enough to look at the dynamics of these multifaceted relationships among countries, but why don’t we look further beyond to achieve “smarter” ties? For an even smarter relationship, we should look at the wisdom of reducing the “cost” of maintaining political, economic, and socio-cultural relations. If we consider the other as an adversary, the cost of defense will remain high. But if we mutually reduce threat perception and enhance mutual trust, backed by the reality of economic interdependence and mutual respect, and not politicizing past animosities, we can better use our limited resources for the well-being of the people directly. For that to happen, we should be mindful of controlling the narrowly defined nationalist sentiment. It is easier said than done. But we in East Asia, all the countries in this region, big and small, need to keep trying, because the end of the regular interaction is the end of peace and stability of the region, and that is in no one’s best interest.

Concluding observations:

It was Claude Bernard, a French physiologist, who found an amazingly intricate internal self-regulating and self-surviving mechanism to maintain and adjust the relative steadiness of the human body, which is later known as homeostasis. International relations are not as developed as healthy human body in terms of mechanisms to self-regulate its health. The world has witnessed a number of catastrophic wars and atrocities. If human beings are the masters of “maintaining balance”, they are not performing as satisfactory of a job as their own bodies. There are certain inclinations among state actors to pursue the balance of power strategy. But the balance here, for each conscious actor, is not the target to achieve, but instead, the goal to overturn in its own favor. In this power game, balance is not synonymous to equilibrium.
Moreover, the mutual effort to out-balance and overwhelm others often leads the world to an arms race with mutual threat increases. Historically speaking, it was the imperative that drove both the United States and the Soviet Union during the Cold War period.

The Cold War is now over and the world is becoming more interdependent. This means the world, which was divided by different ideological, political, and economic systems, has turned closer to a unified, open and interconnected world, in essence, while we do admit that there are many local differences. Oftentimes, however, this oneness and openness is exploited by the malicious actors through the use of ICT (information and communication technologies). Threats and fears of violent extremisms or rivalries among state actors are only possible as they are connected in this one and only open world.

If we are aware that we are on the same one and only boat, it is important for us to achieve a proper and healthy balance – “smart balancing” act – by overcoming the Cold War-like single dimensional, dichotomic mindsets and by viewing the world in a more multidimensional and holistic perspective, beyond our national political, military, and economic factors. How then do we manage to change our perception and progress?

Based on the analysis we’ve made by dissecting the multiple relations among state actors in the recent period, there are five elements to look at the balance of power relations in smart and even smarter ways to maintain appropriate order in East Asia.

First is that the “smart balancing” worldview is based on the premise that the world is at peace when the actors share the perspective that the world should be characterized by “oneness” and “openness” for multiple interactions. Here, the balance of power is an important enduring reality in international relations which cannot be underestimated. Particularly, the traditional military balance constitutes the foundation of international order. But it
should be noted that this military balance alone does not defines the entire world view in today’s globalized world. “Smart balancing” worldview places the military balance in a broader context of political, economic, business, socio-cultural, technological, and even historical interactions among the actors in the world or in the region.

Second, the “smart balancing” worldview suggests that the world should not be interpreted only from zero-sum or surplus-deficit perspectives among actors. In fact, balance is not about domination, but should be about sharing, namely, the balance of shares. But this shares more than just the sum of individual exclusive shares (in terms of material assets and tangible wealth of nations) but they include common opportunities and the benefit of mutually collaborative arrangements. It is not the division of labor, but working together. By taking a symbolic trade imbalance as an example, and by taking into consideration the global supply chain network and mutual flows of intermediate goods and services, trade deficit does not immediately mean the weakness of one party as much as a surplus does not signify the other party’s strength. Instead of pursuing the mutually hurting “trade war” collision course, it is important to analyze the real causes of income gap and unemployment in our society and find the way to improve the reallocation of wealth and welfare.

Third, reducing military cost through mutual threat reduction and enhancing the benefit of cooperation through the mutual trust building is not easy, but still, it proves to be a very “smart” way of managing relations among states in the world or in the region. In a one and open world, where people, goods, services and data move beyond borders extensively, a disaster in one region tends to have an impact even on the lives of people in a distant land, directly or indirectly. Conflict management and disaster risk reduction, therefore, are in everyone’s interest. Conscious efforts for mutual gradual threat reduction, complemented by the parallel mutual
confidence-building activities, through peoples’ exchange and business interactions, should be highly promoted.

Fourth, in our contemporary world, the rapid technological change is going to be an important variable impacting the strategic balance among states. AI, IoT, big data, robotics, biotechnology and other frontier technology may change the very foundation of our daily life just like the Internet and smartphones dramatically altered our lifestyle. The Japanese government now envisions the world of “Society 5.0,” a super smart society resolving various social challenges by incorporating the innovations of the fourth industrial revolution. It is imperative to give close attention to enhancing the ethical use of technology while regulating and containing malicious use of advanced knowledge.

Lastly, fifth is about the importance of moderating the rise of radical and extremist ideas. From nationalism and historical animosities to more dogmatic faith and ideologies, there are many instances in which radicalized and often politicized ideas provoke the dichotomic we-and-they-type sentiment, which can blind the smarter interpretation of a mutual, respect-based balance. Based on the idea of “oneness” and “openness” of our society, we should focus more to the improvement of contemporary relations rather than looking back, or looking too far into the future. The relations among neighbors are frequently touchy and difficult in this regard. But, by improving education to the next generation kids and youth, we can give extra caution about not reproducing the antagonism of the past, and the rivalry and the difference in fundamentalist belief system. This tendency can complicate the international relations as the non-state violent radicalism expands its activities. All the nations need to unite to outlaw these sinister groups’ activities.

In East Asia, the interactions of four major powers, the U.S., Japan, China, and Russia, tend to define the overall direction of the regional order. Among them, Japan intends to play a role of
“proactive contribution to peace” policy and emphasizes the importance of rule of law and international norms. Japan learned the lesson of folly by pursuing one nation’s prosperity and peace at the expense of neighbors during World War II. Real “smartness” lies in the political will to pursue collective prosperity by sharing the fruits of wealth and enjoying common peace.

Against this background, Japan-Mongolia ties can be seen as a model of “smart balancing” relations. In absolute terms, their economic size, national power, and resource abundance are very different. However, the two remain close with each other, In 2017, they celebrated the 45th anniversary of diplomatic relations. In 2010, Japan and Mongolia started a strategic partnership with shared values and an enduring friendship in order to tackle global and regional challenges. The overall balance of benefits that the two governments and their peoples enjoy are in good smart balance. Japan is happy to be “the third neighbor” to Mongolia, and its investments in business, infrastructure and capacity building is contributing not just to Mongolia, but to the region as a whole. Moreover, Mongolia’s sophisticated diplomatic and political moves help stabilize regional order, which benefit Japan as well.

Modelling after healthy Japan and Mongolia “smart balancing” ties, the countries in East Asia should work together to write a new chapter in history of peaceful (and eventual nuclear free) regional order.

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7 Amadeo, ibid..
9 Heeb, Ibid.
11 Asahi Shimbun, July 18, 2018.
16 Government of Japan. “Realizing Society 5.0.” https://www.japan.go.jp/abenomics/_userdata/abenomics/pdf/society_5.0.pdf. Society 5.0 is defined as a new super smart society which comes beyond Society 1.0 (the hunter-gatherer stage of human development), Society 2.0 (the agrarian stage), Society 3.0 (the industrial stage) and Society 4.0 (the information age).
Forces Shaping East Asia in the 21st Century

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Abstract
During the past several decades, globalization, regionalism, re-alignment, nationalism, and the evolution of civilizations are pushing and pulling East Asia in different directions. The understanding of these forces is essential for us to make assessments on future trends and power transitions in our region. This chapter tries to analyse each of these shaping forces, and invite the decision makers and the general public to think about both the positive and the negative sides of dynamics, so that they are better prepared.

Keywords: Globalization, Regionalism, Alliance, East Asia Nationalism, Civilization,

The second decade of the 21st century will soon be concluded, with East Asia remaining relatively stable and not changed much physically, particularly when it is compared with some other parts of the world. For example, West Asia and North Africa suffered continued revolutions and civil warfare. Europe was afflicted with terror, migration waves, Ukraine conflict, debt crisis, the Brexit, etc. East Asia, while occasionally confronted by the nuclear tests on the Korean Peninsula and the quarrels over the East and South China Sea, enjoyed much more peace and development without upheavals
and violence. This is not to say that leaders in this region have nothing to worry about. Rather, countries in the West Pacific responded to various challenges and managed to adapt to the shaping forces from without and within. This paper identifies the forces that shaped the region in the past and analyzes how these dynamics may continue to transform East Asia in the future.

**Globalization**

This wave of globalization started after World War II and was marked by the trans-national flow of investment and trade, technological diffusion, the cross-border flow of human capital, shared management, and multilateral governance institutions such as the WTO, G20, etc. In the second half of the last century, the United States often replaced Europe as the political leader, financial supporter, and institutional shaper. East Asian countries, firstly Japan, then the four dragons (namely Hong Kong, Taiwan, Singapore, and Korea) and the four tigers (Thailand, Malaysia, the Philippines, and Indonesia), successively joined the wave before China, Vietnam, Mongolia, and other countries opened themselves and were integrated into global productive chains. Generally and honestly speaking, this region was much benefited from globalization, though this benefit was not evenly distributed and had with some costs, like the Asian Financial Crisis in 1997.

According to the World Bank data, East Asia and the Pacific, as a region, occupied 11.88% of world total GDP in 1960; in 1980, it increased to 16.4%; in 2000, then expanded to 21.91%; and in 2016, it became 28.27%, more than any other single region. From 1960 to 2016, the economic growth rate of East Asia surpassed other regions and has been above the world average, except for only 3 or 4 years (mainly due to the oil crisis in the early 1970s and the financial crisis in 1997) during more than five decades, while the EU mostly maintained below world mean, and Sub-Saharan African
performances only turned comparable with our region in the past decade.

The table below demonstrates a better understanding of economic development per country. High growth periods usually occurred after one country accelerated its pace into the global economy. Regional governments adapted quite well with their domestic resources to the shift of manufacturing and the diffusion of technology. We’re all in the same boat.

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</table>

By author, based on World Bank data

The cross border division of labor, especially among America, Japan, Korea, NIEs including China and Vietnam, and markets intertwined among each other, greatly contributed to the success stories. The production of the iPhone is a typical case study. A US company designs and provides core chips; Japanese, German and Korean suppliers export semi-conductors and other devices to China’s mainland; and a Taiwanese investor sets up factories and hires local workers, with support from mainland government on infrastructure, land, power, tax, etc. Along with this process is the manufacturing shift, with developed economies moving some of their low-end capacity to the developing ones, sometimes through FDI. Some called this phenomenon the flying geese.

Globalization flattens the world in some way. It requires a lot of openness and liberalization and sometimes deprives a country of its autonomy. In 1997, many countries in East Asia were shocked by the financial crisis and, perhaps for the first time, suffered seriously from the backlash of globalization. If governments in this region responded well to globalization before the late 1990s, they realized that it was also a double-edged sword and the best years of
globalization for East Asia might be gone. Since about that time, anti-globalization sentiments grew worldwide, including within some regional countries such as China, Japan, and Korea, because the gains from global trade are not well distributed among all participants. A major challenge for governments in East Asia is how to deal with the negative sides of globalization. Besides, the flag-bearer of post-WWII globalization, the United States, now has a President who regards America as a loser and blames its partners for winning too much in the game. That adds pressure to leaders in this part of the Pacific who already face internal problems. Today, the tension between state and market, the appeal for development with economic and social inclusiveness, and lack of international leadership, is confronting most governments. Even though resistance might be strong, globalization can hardly be stopped or reversed when people are so interdependent among each other’s economies. Continuing a positive, inclusive momentum of globalization, maximizing its benefits, and controlling the internal and external risks might be a key challenge for countries in East Asia in the future.

Regionalism

Regionalism, which might be partially overlapped with globalization but not always mutually inclusive, is another major shaping force in East Asia. Regionalism refers to the idea that a community should be built based on shared identities, integrated economies, inter-connected infrastructures, coordinated policies, and binding multilateral institutions. Looking back to the experiences in East Asia, especially in South East Asia, one cannot ignore the tremendous impetus community building has given to regional peace and development.

Further discussion of the achievements that ASEAN has gained in the past, and how these signs of progress have contributed to the
welfare of the member countries, is unnecessary in this article. By the end of 2015, the ASEAN Economic Community (AEC) was officially established, making a unitary market of more than 600 million people and over 2 trillion GDP. Intra-ASEAN trade and investment should be further promoted with this milestone announcement, therefore enhancing the overall competitiveness of ASEAN. The political-security dimension and socio-cultural dimension are to follow by 2020. The expansion and consolidation of ASEAN offer not just economic connectivity, but also political and cultural bonds that promote assurances, trust, and regional stability. Facing political differences, developmental gap, and cultural diversity, the ASEAN way has been proved effective and deserves respect.

Photographed by Xinhua,
With ASEAN in the lead, China, Japan, Korea, and other East Asian countries also join the efforts to promote regional cooperation. ASEAN plus one is a practical working mechanism that allows the three major economies in Northeast Asia to partner with ASEAN. China, Japan, and Korea have completed FTAs (or EPAs) with ASEAN separately. In the case of China, bilateral FTA was put on the agenda in 2002, when trade between China and ASEAN was about 55 billion US dollars. After positive interactions over Early Harvest Programs and service trade, China and ASEAN fully implemented the FTA in 2010. Ten years after China’s accession to the Treaty of Amity and Cooperation in Southeast Asia, the two sides hailed the Golden Decade in 2013. By the end of 2017, China-ASEAN bilateral trade reached about 520 billion US dollars, almost ten times of that in 2002, with an annual growth of around 20% (online data). The effect of regional economic integration in this case is evident. With the Chinese government promoting the Belt and Road Initiative, regional connectivity may, hopefully, be further enhanced.

ASEAN also bridged China, Japan, and ROK in promoting the trilateral summit. From 1999 to 2007, the three Northeastern Asian countries had their leaders meet, along with the 10+3 framework, annually. In 2008, the China-Japan-ROK summit was institutionalized and separated from the ASEAN summit. China-ROK bilateral FTA has been in force since the end of 2015, and China-Japan-ROK trilateral FTA is under discussion. Now, ASEAN is leading the discussion of RCEP for further regional economic integration. ASEAN also involves concerned countries into ASEAN Regional Forum (ARF), trying to enhance understanding and trust in the security realm.

Of course, regionalism is not the panacea to cure all problems when we appreciate it as an economic engine. Many difficult issues such as political differences, developmental imbalances among
member states, the domestic gap between the rich and the poor, and the push and pull from outside East Asia, among others, stand in the way. Security dilemmas hurt trust and lead to misperceptions that are destructive for regional cooperation. The skepticism over regionalism rising from the Brexit and populism in the EU gives rise to questions about the limit and the future of regional integration before some Asian countries. Leaders of East Asia have to carefully cope with these challenges with a vision to secure an open, inclusive, step-by-step community building that will benefit all.

Alliances (Networking)

While globalization and regionalism are key factors in shaping the economic landscape in East Asia, alliances and networking play key roles molding the security and political features in the region. In the first two decades of the 21st century, American centered military alliances remain strong in the West Pacific, while effective balancing networks are not in very good shape.

In April 2015, when Premier Abe visited Washington, Japan-US security alliance was reinforced again after the 1997 revision. The new Guidelines expanded and deepened the relationship between the two governments who sought to enhance defense cooperation that was “seamless, robust, flexible, and effective”. According to analysts, upgraded guidelines reflected Japan’s worries over China’s rise, and enduring concerns over North Korea’s nuclear program, among others (The Diplomat). While the guidelines might be assuring for some people, they are not a blessing for others. American and Japanese leaders openly say that the treaty applies to the Diaoyu Island, adding tension to the China-Japan dispute in the East China Sea. DPRK criticized the new guidelines as destabilizing and an arms race, only inviting confrontations to the relationship.
The ROK-US alliance was also improved during President LEE Mingbok’s term after his two predecessors tried to equalize the relationship and exert more autonomy. Security ties were especially strengthened during and after the sink of Cheonan corvette in 2010. Tensions surrounding North Korea’s nuclear and missile programs further accelerated the military consultation and cooperation between Seoul and Washington DC. In early 2017, THAAD was introduced into ROK. This brought a diplomatic storm between China and South Korea. This time, the US-ROK alliance didn’t serve to promote regional cooperation on North Korea, but rather became a dividing force between China and ROK.

The United States, under President Obama, also tried to consolidate military ties with the Philippines when the latter’s dispute with China over the islets and reefs in the South China Sea became exacerbated. In 2014, an enhanced agreement on defense cooperation was signed between a Filipino Defense Minister and an American Ambassador in Manila, allowing US troops to re-use military bases in the Philippines. Although the Filipino Senate challenged the legitimacy of that treaty, speculations about US military’s return to the Subic and Clark bases still emerged. Duterte’s victory in the election of 2016 changed the momentum. His government relations with the US drifted apart, resulting in an improved atmosphere between Beijing and Manila.

The above discussions show that the development and direction of the alliances in East Asia contribute a lot to the regional stability or instability. The status of the alliances themselves is an independent variable. Internal appeals for autonomy and a balanced alignment or American retreat from Asia in some countries are enough to re-shape regional politics. Interactions between American allies and other countries in the region might be another shaping force, stimulating drift or cohesion among the allied members. China-Soviet-DPRK alliance does not exist
anymore in the Cold War time sense, which means counter-balance to American alliances might be more ad hoc. Countries that are excluded from a US-led allied system have to explore new security networks that are more cooperative and inclusive in nature. Shanghai Cooperation Organization (SCO) is one example in which Beijing and Moscow revived some kind of military joint exercise and coordination. Conference on Interaction and Confidence-Building Measures in Asia (CICA) might be another example involving both American allies and non-allies as formal member states or observers. ASEAN Regional Forum and the Shangri-la dialogue are also important platforms where different people can present concerns and promote understanding.

It is not quite clear how the alliances and networks should evolve. Internal dynamics are changing, as well as external threats. For instance, the Filipino politics after President Duteeter are unknown, and the direction of the US-ROK alliance if the North Korea nuclear crisis disappears is unpredictable. Burden-sharing demand from Washington may weaken its ties with Tokyo, but a contingency over Taiwan is almost sure to consolidate the US-Japan alliance. What has been proven is that alliances and networking re-configured regional political and security landscapes in the past, and will continue to shape our region in the future. We should try to push for positive outcomes and avoid triggering the negatives.

**Nationalism (separatism)**

I put nationalism and separatism together because I regard them both as dividing forces; nationalism divides the international community, while separatism divides a national community.

Nationalism has been discussed a lot since the end of the Cold War, including in East Asia. Nationalism is different from patriotism in that the latter is more defensive and stops with national pride, while the former usually offensively targets external
actors as a threat for constructing internal identity and cohesion. It is thus a dividing force.

Nationalism widely exists in many countries in our region, and rises and falls like untamed torrents. There are multiple sources of nationalism. It sometimes goes with populism, but is not irrelevant to the elite people. Nationalism perhaps connects with identity politics, rooting from very complicated historical and cultural context. Nationalism might be originated from the local socio-economic divide, which is guided to external elements that should not be responsible for domestic policy failure. Nationalism may also be ignited by some real external pressure and provocations.

Nationalism is one kind of identity politics. It is based on “us vs. them,” but usually ignores the right and wrong. It requires people to side with the local collectivism that contradicts with globalism, regionalism, and accommodation. Nationalists often label their opponents as national traitors and mobilize anti-foreign campaigns, such as boycott movements. They are self-centered, with ethnic, cultural arrogance and complacency. They sometimes indulge themselves in victim psychology and blame all problems to outsiders without discrimination.

Separatism also threatens regional peace and integration from within some countries. Freedom and autonomy all have a border, depending on the specific historical, social, economic, and regional context. If every city, ethnic group, or religious sect aims at establishing an independent state, how can we imagine the fragmented world? If separation comes with great violence or even terror on civilians, how can it be justified? I’m a strong supporter of good domestic governance, but I have to separate myself from the extremist separatists. I believe that reconciliation through dialogue is the only right way, no matter how difficult it might be. Respect for rights, inclusive development, and continuous regionalism helps ease the pursuit of separation.
Nationalism and separatism are always present sometimes strong and appealing, sometimes not. We understand the nature, sources, and power of these phenomena, but responsible leaders should not leave them unrestrained after calculating the cost. The world is much different from the 18\textsuperscript{th} or 19\textsuperscript{th} century Europe, where nation-building and imperialism prevailed in international politics; yet this unfettered, wild nationalism and separatism can easily ruin the regional cooperation present.

**Civilization and Culture**

This part discusses how civilization and culture are transforming East Asia. Statesmen and scholars have long been interested in examining the role of culture(s) in the development/modernization process in East Asia. Some try to link the economic success of East Asia to local civilization(s) and culture(s), predicting that the 21\textsuperscript{st} century will be one of Asian/oriental civilization(s).

Many people mix civilization and culture intentionally or unintentionally. Here, I’d like to borrow my colleague Peking University Professor YIN Baoyun’s discussion about civilization and culture, which for me is very enlightening. He first tries to differentiate the two concepts. Civilization, in his terms, is more about technical advancement of productivity and management, and is thus often tangible and measurable. For example, when we say neolithic civilization, agricultural civilization, industrial civilization, and information (post-industrial) civilization, we actually mean the technological level advancements and the corresponding institutions managing the property, distribution, administration, military, etc. Both these technological and institutional products are progressive, transferrable, and universal in nature. But culture, according to Prof. YIN, is very different. Culture refers to aesthetic, religious, or ethical ideas that are usually manifested in literature,
arts, ritual, and social relations. It is more ideational and unmeasurable. Compared to civilization, it is more stable, less transferrable, and has strong local characteristics. (YIN Baoyun, 1998).

Civilizations and culture can be combined. In the case of KARAOKE, the electronic machine represents industrial civilization, but the content and the picture of the song belong to culture. In the case of a building, the material and architectural mechanics applied are civilization, but its style is culture. Coming back to human history, both eastern and western cultures experienced neolithic and industrial civilizations, but that did not mean that one culture changed itself into a different culture. Modernization is more about the assimilation of civilization—namely technology and institutions, not the integration of another culture.

Now we come to realize that it is civilization, meaning technology and institutions, that progresses and motivates economic and social development, not culture. Machines, semiconductor chips, property systems, rules of law, and elections are civilizations. European countries took lead in the past several centuries mainly due to the civilizations, not their culture. Civilizations can be superior or inferior, but cultures can’t. A machine is better than stone when it comes to manufacturing, but Mona Lisa and YANG Guifei are both beautiful. Whether or not and how fast a non-western country is “modernized” depends on its willingness and ability to assimilate the civilization that can better promote productivity and management in the society. Japan learned western technologies and accepted European institutions in the mid and late 19th century, and became the first modernized country in East Asia, without changing its culture. The Qing government tried to use only western technology without introducing its institutions, so it lagged behind. The four small
dragons performed well because they opened themselves to western civilizations, but they remain as Asian societies. The timing, broadness, and depth of civilization penetration played a key role in East Asian development.

Some people contribute to the development of East Asia to the local culture, such as Confucianism. That raises the question about the role of culture in economic and social development. Culture may not be irrelevant in the development of civilizations, as we know from Max Weber’s famous book *The Protestant and the Spirit of Capitalism*, which tries to find the origin of modern capitalist institutions from the religion, but the role of culture in the material success might be indirect and invisible, and hard to empirically verify. Some of the cultural elements in East Asia may be consistent with and supportive of the technologies and institutions we borrow from the West, while other elements may not. Innovations of the civilizational as a whole, rather than to the local degree are significant measurable factors in deciding the future of East Asia. This is also helpful to avoid the controversy on cultural imperialism because the local culture is still preserved while the civilization level is raised. In fact, each country may culturalize the civilizations with local characteristics. The Japanese diet is different from the Singaporean parliament, and laws in Korea might be quite different from those in Malaysia, but they are all representative of politics and rule of law.

**Concluding Remarks**

When we try to figure out the new shape in East Asia, it is important to identify the forces in play. Globalization, regionalism, alliances, nationalism, and the evolution of civilizations are pushing and pulling East Asia in different directions. The understanding of these forces is essential for us to make assessments on future trends and power transitions in our region.
Globalization is powerful. It links countries through the division of labor both inside and outside the East Asian region. It can be hardly reversed, regardless of if people view it as good or bad. Globalization does not just involve a cross border flow of products and investments, but also a trans-national movement of people, shifting job opportunities, potential financial risks, etc. Anti-globalization will emerge repeatedly, but de-globalization is just a false statement. One may be able to choose de-multilateralism, but he cannot choose de-globalization. If East Asian countries want to be continuously benefited, leaders have to carefully weigh the speed and scope of globalization that they can afford, as well as deal with domestic and international pressure in a balanced manner.

Regionalism has helped East Asia tremendously since the late 1990s. Since no one in this region is strong enough to act unilaterally, intra-regional economic cooperation greatly enhanced the connectivity and competitiveness of member states, contributing to collective prosperity and peace. ASEAN did a very good job, though not perfect, as the driver of community building in the past two decades. However, regionalism now is facing challenges everywhere, and in East Asia, the momentum seems to be on the wane. One Chinese scholar notes that the priority to internal cooperation is currently tested by external coordination, and state-centrism may change regionalism in East Asia into expanded nationalism. Moreover, an underdeveloped regional market leads to economic dependence on the external market, which use facilitates the infiltration into regionalism from other countries (HAN Aiyong, 2015). At the present stage, two possible breakthroughs may instill new momentum into regional cooperation. One is the China-Japan-ROK FTA negotiations, the other is RCEP. The shape of East Asia in the future has a lot to do with the fate of regionalism.
Existing political and security alliances are sensitive legacies of the Cold War. They helped to maintain peace in some cases but contributed to new problems in others. The reform of the old alliances, the emergence of new security networks, and the interactions between the two, define East Asia’s future political landscape. The DPRK nuclear issue might be one test of the wisdom for major parties to build mutual trust and shake off security dilemmas. China-US strategic interaction is another opportunity to build trust. Constructive engagement between the two can prevent regional countries from further taking sides.

Many reasons may ignite nationalistic feelings in East Asia. Frustrating economic situations, religious fundamentalism, and ethnic extremism, together with foreign pressure, may contribute to the rise of nationalism. Though inherent in blood, ethnicity, and human nature, nationalism is generally poisonous, dividing East Asia in many irrational ways. Nationalism often backlashes, constraining the flexibility of leaders. Any attempt to utilize nationalism as a political tool should not be encouraged. Education and experiences can, in some ways, ease the ego-centrism and event-driven nationalist sentiments.

Technology and institutions are at the core of civilizations that can move human societies forward. Perhaps it is not necessary for us to contend over whose culture is superior. Rather, we should focus more on assimilating effective technologies and institutions. The history of East Asia shows that nations which better embed universal civilizations into their local culture have bigger opportunities to succeed. This insight sheds light on the future of East Asia.
Northeast Asia and Foreign Policy of Mongolia

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Abstract
Northeast Asia is the third significant region for Mongolian geostrategy and foreign policy. The Northeast Asian region has been getting more global attention due to the rapid development of economies, such as China and South Korea, resulting in enhanced coordination and cooperation among countries, mainly in economic affairs. On the other hand, this region is considerably rich in political, economic, ethnic, and religious diversity, as well as conflict between countries (North and South Korea). Because of these reasons, major changes in the security environment have yet to emerge, and long-standing issues of territorial rights and reunification continue to plague the region. The purpose of the paper is to study the external, political, and economic conditions of Mongolia in the Northeast Asian region.

Keywords: Northeast Asia, Foreign policy, Political and Economic Foreign policy, Third Neighbor and Partnership, Resources of Energy, Based on Natural resources policy towards the Asian region, Present Situation and Perspectives in Northeast Asia.
Introduction: “Northeast Asia and Mongolia”

Mongolia is a landlocked country located in the center of Asia and sandwiched between the two superpowers - Russia and China. In terms of political structure, it is a developing country with a free market economy, social cohesiveness, democratic principles, and high regard for human rights. Moreover, the country is characterized by three million people with nomadic culture and predominantly Buddhist religion. Geopolitically, it can be viewed to be located in both the regions of northeast Asia and Central Asia. Scholars of political science, history, international relations, geography, and area studies share the same view on its geopolitical position. Since the transition in the 1990s from socialism to a democratic free-market economy, Mongolians have begun to identify themselves in relation to the Northeast Asian region.

Northeast Asia, constituting 20 percent of Asia’s dry land, covers East Siberia, the Far East, the Korean Peninsula, the Japanese Isles, and the eastern region of Mongolia, as well as Manchuria. In other words, it includes Russia, Mongolia, China, Japan, the Republic of Korea and the Democratic People’s Republic of Korea (the USA is not included geographically but scholars sometimes include it in terms of its influence over the region). Over 300 million people, 10 percent of Asia, reside in this region. Northeast Asia is as large as Europe in terms of its market space. The Northeast Asian region (including the USA and Canada) comprises more than 50 percent of GDP, and 40 percent of currency resources of the world total. Particularly, the economic growth of China has been drawing a dramatic increase in the supply of oil, natural gas, and raw materials.

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materials. As for civilization, Confucius ideology is generally viewed to be predominant in the region. However, we can identify several influential civilizations and cultural ideologies such as Japanese, Sinic, Christian, and Orthodox. The region is also characterized by its military-strategic capability; powerful military armies are found in Russia, China, and North Korea.

The world economy has been moving from the Trans-Atlantics (America-Europe) to the Trans-Pacific or Asia-Pacific⁴. “Northeast Asia” is located in the center of this movement. Since the beginning of the new century, policies of cooperation in politics and the economy of Russia, as well as that of China, have been intensified in the region, resulting in increased activities of organizations and political or economic coalitions.

Since 2000, Russia has been revising its policies towards Northeast Asia and resumed its superpower player position based on their energy resources. There are two reasons for Russia to do this. First, Russia has an interest in increasing its influence over Northeast Asia by intensifying its policies towards developed countries such as China, South Korea, and Japan through its exports of natural gas and oils, which have been exported to Europe traditionally. Second, as scholars documented, Russia has another purpose in its policies towards Northeast Asia. It is not only exporting natural gas and energy, but also willing to develop the Far East and Eastern Siberia, in a short period of time, through economic relations.

On the other side, China has risen as the most influential power player in the region. Today, China has its influence not only over the region, but also all over the world. China is actively promoting Russia's participation in the "Greater Tumen Initiative," a regional

program under the auspices of the United Nations. Moreover, it is building an economic integration by fostering the inclusion of regional countries into the project implantation “One Belt, One Road”. The country has been taking initiatives to develop a large network of infrastructure in Asia by establishing an Asian Infrastructure Investment Bank. These examples show that China has become the most influential player in the region of Northeast Asia.

It is evident that the partnership between China and Russia tends to be the most influential over Northeast Asia. Russia is the largest supplier of raw materials in the world, whereas China is the largest consumer of the raw material. This supply and demand serves as a juncture where both interests meet. Two major consumers of the world energy, Japan and China, are located in this region, and Russia is serving as a major supplier of energy and raw materials in Northeast Asia. It is not a prospective future for China and other developed countries of Northeast Asia when there is a difficult situation resulting from changes in policies of powers and politics. It is also costly to import petroleum, an energy source, from the countries of the Middle East, as well as Arabia. Another reason is that Russia and China have allied to implement their strategically common interests as opposed to the USA interests of expanding its influence over Asia-Pacific and Northeast Asia.

Thus, Northeast Asia can be determined to be a region with a general background characterized by its sharp differences and complexities of factors of culture, and heavy concentration of military armies, political regimes, and economic structures. In terms of politics, economics, and cultural civilization, factors that nurture regional integration for mutual development in Northeast Asia are considered to be slow and risky in the process to be realized.
Cooperation in Northeast Asia and the Position of Mongolia

Since the 90s, as a result of the democratic wave in the world, countries in Northeast Asia, especially superpowers, have begun to improve their relations, avoid conflicts, and develop trust-based cooperative actions. One of the examples of such actions is the Shanghai Cooperation Organization (SCO), established in 2001. The organization was first established in 1996 to deepen military trust of the border regions, the Shanghai Five (China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan). Nowadays, the organization has become an influential entity that has eight member states: China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, India, and Pakistan; four observer states: Mongolia, Afghanistan, Belorussia, and Iran; six dialogue partners: Armenia, Azerbaijan, Cambodia, Nepal, Sri Lanka, and Turkey; and four guest attendances: ASEAN, CIS, Turkmenistan, and UN. Mongolia received a status of an observer state in 2004, and since then it has been participating at the level of observer states.

Recently, the question of whether or not Mongolia will become a member state of the SCO with regard to the trade and economic integration in the region of Northeast Asia has been highly discussed. One side believes that it is proper to maintain the status of observer, while some opposing scholars argue that the current reality shows the direction for Mongolia to develop economic and trade cooperation.\(^5\)

For many years, Mongolia has been actively taking an initiative to establish a solid peace system in the region of Northeast Asia. For instance, in 1981, the country was first to launch an initiative which called for cooperation to avoid war, especially nuclear war, in Asia.

This initiative was shared with 36 countries in Asia. Further, in 1989, Mongolia re-launched its initiative and called other countries to establish a peaceful and sustainable mechanism in Northeast Asia.

In the new century, Mongolia has been putting forth its efforts by taking such initiatives often, as can be seen from the initiative called “Ulaanbaatar Dialogue”. It was mentioned by the president of Mongolia, Ts. Elbegdorj, during the 7th Ministerial Conference of the Community of Democracies held in April 2013. The official name of the initiative is "Ulaanbaatar Dialogue on Northeast Asian Security."

To further bring the ideas from Ulaanbaatar Dialogue into realization, the government of Mongolia issued a memorandum on “Ulaanbaatar Dialogue.” Moreover, the conference among scholars and researchers was successfully held in June 2014 as a result of the dialogue. The conference is held annually. At each meeting, scholars from DPRK, Korea, USA, China, Russia, Japan, and Mongolia openly discuss how to solve regional issues through peaceful talks and dialogues.

Moreover, Mongolia has reached some outcomes as a result of its efforts to join into the mainstream of the political and economic integration among countries of Northeast Asia. For instance, it is noteworthy to mention the following cooperation:

- A strategic comprehensive partnership agreement with Russia
- Relations with China were developed into a strategic partnership in 2011
- A free trade agreement with Japan in 2016
The main ideas of the Ulaanbaatar Dialogue are as follows:

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<tr>
<td>- Energy and transport connectivity</td>
<td>- Energy security</td>
<td></td>
</tr>
<tr>
<td>- Environmental issues</td>
<td>- Climate change and environmental protection</td>
<td></td>
</tr>
<tr>
<td>- Unconventional security issues</td>
<td>- Cybersecurity</td>
<td></td>
</tr>
<tr>
<td>- Regional stability</td>
<td>- Overcoming disaster</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Public health</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Drug trafficking</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main principles</th>
<th>- Common interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Mutual respect</td>
<td>- Progressive approach</td>
</tr>
<tr>
<td>- Mutual trust</td>
<td>- Multilevel and multilateral cooperation</td>
</tr>
<tr>
<td>- Multilateral dialogue</td>
<td>- Open dialogue and cooperation</td>
</tr>
<tr>
<td>- Openness and transparency</td>
<td>- Expansion and reforms of the cooperating organizations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Membership</th>
<th>- 7 countries of Northeast Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Participation and membership of other countries will be decided in an open and transparent manner</td>
<td>- DPRK, Korea, China, USA, Japan, Russia, Mongolia</td>
</tr>
</tbody>
</table>

- Maintaining open participation from other regions
- A free trade agreement with Japan in 2016
- A general trade and investment agreement with the USA in 2004
- An agreement between the USA and Mongolia on the transparency of international trade and investment in 2013
- A comprehensive partnership agreement with the Republic of Korea
- Agreement on friendly cooperation with DPRK

ASEM, a high level of meetings with political leaders of Asia and Europe, held in Ulaanbaatar in 2016, played an important role in solving pressing issues of the region and building stable peace mechanisms as well. Besides, Mongolia has been actively participating in world peacekeeping activities. Thus, the rising prominence of Mongolia, not only in the region but also at the international level, provides more opportunity to engage seriously in building stable peace mechanisms or systems in the regions, and to stay in peace with other countries of the region.

**Conclusion: Challenges for Mongolia**

It has become a crucial issue for Mongolia, sandwiched between two superpowers, to ensure its “space” of independent status and sustainable development in Northeast Asia where competition has been intensifying along with globalization. Here, foreign policies of Mongolia should be directed towards the above issue. In one hand, the development of two superpowers, major players in world politics, provides Mongolia with many opportunities. On the other hand, it bears some risks for the country.

Mongolia is the only landlocked country in the region. This creates many disadvantages for the country in terms of society, politics, economics, and geopolitics. One distinguishing perspective of Mongolia, as compared to other countries in Northeast Asia, is that it is recognized to officially be a “nuclear weapon free” country.
at an international level. However, Russia, China, and the USA are countries with nuclear weapons. The threat of nuclear weapons still exists in Northeast Asia. North Korea has conducted tests of its nuclear weapons several times. Due to this situation, it is not clear if there is a possibility to strengthen trust and develop cooperation based on peace and stability in Northeast Asia. As for Mongolians, the issue of what political approach Mongolia should hold in order to join the integration of Northeast Asia will be an important step to provide the country with sustainable economic development in the future.

In a globalizing new world, interrelations of the countries in the region have become enriched with new forms and contents. Interrelation is, on one hand, a factor that accelerates development in the countries, but, on the other hand, it poses a new challenge for the development of the region as well as world security and cooperation. Some scholars emphasize that this process is integrated in all aspects of the citizen’s lives and relationships. It is noteworthy that the issue has become overarching for the region of Northeast Asia.

Mongolia has been successful in maintaining foreign policies based on “open,” “democratic,” “multilateral,” “stable,” and “active” cooperation, paying special attention to the policies of its neighbors, and their nuclear weapon free status. Meanwhile, it is important to develop the “Steppe Road” project and connect it with the economic

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corridors. The participation of Mongolia in the SCO has also become a pressing issue.

However, some scholars document that Mongolia needs to consider some issues of foreign policies more carefully in relation to the evolving situation in the region, and to re-examine, as well as clarify, its position in Northeast Asia. These circumstances are urging Mongolia to take aggressive action in reconsidering its foreign policies once again with regard to the upcoming circumstances, and to take an economic perspective in its foreign policies of third neighbor, foreign policies, and policies of equal treatment of two neighbors.

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Increasing Student Mobility within Northeast Asian Countries and Implications for the Future of the Region¹

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University of Auckland
(New Zealand)

Abstract
Student mobility in the Northeast Asian countries of Japan, South Korea, and China, as elsewhere in Asia before the 1990s, was very much concentrated in North America and Western Europe. Each year, tens of thousands of students from Japan, South Korea, Taiwan, (and from China after the 1990s), went to the developed countries of the USA, UK, and Germany for their study. This trend, however, changed in the twenty-first century, and there has been a remarkable increase in student mobility within the Northeast Asian region in the last decade. Today, international students from China, South Korea, Japan, and other Asian countries comprise the great majority of international students in Japan. Similarly, South Korean

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students make the largest group in China. In South Korea, over 70 percent of international students are from China and other Asian countries such as Vietnam, Mongolia, and Japan. As a matter of fact, student mobility within Northeast Asia is growing continuously. Undoubtedly, such transnational student mobility within the region will carry numerous important implications for the future of the region. We will have more young people who can speak the languages of their Asian neighbours and there will be a better cultural understanding among the peoples of the region. This paper explores the new trends of international student mobility within the Northeast Asian region. In so doing, it investigates the causes of such a trend, as well as the political, social, and cultural implications of this growing transnationality within the region.

**Keywords:** Student mobility in Northeast Asia; International students in China, Korea, and Japan; International students from China, Japan and South Korea

### 1. Introduction

Before the Pacific War, Japan was the main destination for international students from other Asian countries, particularly those from China, Korea, and Taiwan. Tertiary institutions, and even high schools in large cities of Japan, had a substantial number of students from these countries, and they functioned as the meeting points of students and intellectual leaders from many other Asian countries. After the War, however, things changed drastically and the US emerged both as the centre of global power and as the centre of international education. In particular, for the students from non-communist Asian countries such as Japan, Taiwan, South Korea, and the Philippines, the US was the first
choice for study abroad, and this has remained the same until now. Meanwhile, the Cold War, colonial history, and economic difficulties limited student exchanges among the countries of Japan, Korea, Taiwan, and China. After the 1960s, however, students from South Korea and Taiwan started to arrive in Japan even though Japan has not really reached its past prestige as the centre of international education in Asia.

Since the 1970s, South Korea has emerged as one of the biggest senders of international students to the US and to other advanced countries such as the UK, Canada, Japan, and Germany. Throughout the 1980s, South Korean students were the largest group in many of the major universities in the US. It was common to find a substantial number of Korean students in many prestigious universities in the US through the 1980s and 1990s. There was also a good number of Taiwanese and Japanese students in the US. After the 1990s, students from mainland China started to arrive in the US in large numbers and soon they became the largest international student group. By the 2000s, however, there have been remarkable changes in the trend of international student mobility within Asia, particularly in China, Japan, and South Korea. An increasing number of South Korean students chose China for their study abroad. According to the data from China’s Ministry of Education in 2016, more than 440,000 international students were studying in China, and more than 16% (70,540) were from South Korea. This makes South Korean students the largest international student group in China (China Power Team 2017).

At the same time, all three Northeast Asian countries of Japan, China, and South Korea have been emerging as important study destinations for international students since the 2000s. Even South Korea has seen an increasing number of international students, and today more than 100,000 foreign students are
studying in the country. In China, as stated above, the largest group of international students are South Koreans, and in South Korea, the largest group of international students are from China. Both in China and South Korea, the number of Japanese students also has been increasing. As this recent trend shows, there has been an increasing level of student exchanges among the three Northeast East Asian countries, which is an unprecedented phenomenon in recent history. For example, more South Korean students are studying in China than in the US today, which is an entirely new development. At the same time, the number of Chinese students, both in Japan and South Korea, has been growing fast, and Chinese students make the largest international student group in these two countries. Though their number is much smaller than that of Chinese and South Korean international students, the number of Japanese students studying in China and South Korea has also been also increasing.

What are the backgrounds of these rapid changes in international student mobility in Northeast Asia? Is this a temporal trend, or a long-lasting trend based on more structural factors? Numerous questions arise regarding this new phenomenon. While this very new and unprecedented phenomenon requires attention, there have not been substantial academic works on this until now. Therefore, this paper explores the phenomenon, with a focus on the questions above. It also pays heed to the implications of the new trends in terms of the region’s future. In so doing, the paper first looks at the phenomenon from the perspective of each sending and receiving country of Japan, China, and South Korea, and follows this with an analysis on the social, cultural and political implications of this increasing international student mobility in Northeast Asia.
2. Changes in student mobility in East Asia: causes and explanations

As stated above, there have been remarkable changes in international student mobility in Northeast Asia in the twenty-first century. There has been increasing international student mobility within the Northeast Asian countries of China, Japan, and South Korea. Meanwhile, in some cases, the traditionally popular study destinations of the developed Western countries, such as the US, has been competing with the newly rising study destinations such as China, Japan, and South Korea. For example, there is an increasing number of South Korean students studying in China while their number in the US has been declining in the last few years. Chinese students have been growing fast both in Japan and South Korea, which have not been the major destinations for study abroad for Chinese students in the past. International students from other Asian countries including Vietnam, Nepal, Myanmar, Sri Lanka, Thailand, Bangladesh, and Mongolia also increasingly choose Japan, China, and South Korea as their study destinations.

Nevertheless, there is no doubt that advanced Western countries such as the US are still popular and most Asian students consider them the mostly desired study destination, as the figure below shows (Table 1). Nevertheless, today an increasing number of Asian and other international students choose alternative destinations such as Japan, China, and South Korea. While we will look at the trend in Japan, China, and South Korea in the next sections of the paper, here we will explore the causes of the changes in student mobility within Northeast Asia.

2.1. Economic Factors

Economic factors, such as the costs of education and living in study destinations, are very important in understanding this new
phenomenon. For example, studying in the US and other advanced
countries is normally very expensive, and people tend to choose an
alternative destination for their study. For South Korean students
who do not have enough funds to support their studies in the US
or other Western countries, destinations such as China can be
attractive alternatives due to their inexpensive tuition and living
costs. They say that studying in China costs much less than what
they would need to pay in their homeland. For Chinese students
coming to South Korea, they are also attracted to the difference
between the costs in South Korea and other advanced countries
such as the US.

Table 1: Students in the US by Nationalities (2016)

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>350,755</td>
</tr>
<tr>
<td>India</td>
<td>186,267</td>
</tr>
<tr>
<td>South Korea</td>
<td>58,663</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>52,611</td>
</tr>
<tr>
<td>Canada</td>
<td>27,065</td>
</tr>
<tr>
<td>Vietnam</td>
<td>22,438</td>
</tr>
<tr>
<td>Taiwan</td>
<td>21,516</td>
</tr>
<tr>
<td>Japan</td>
<td>18,780</td>
</tr>
<tr>
<td>Mexico</td>
<td>16,835</td>
</tr>
<tr>
<td>Brazil</td>
<td>13,089</td>
</tr>
<tr>
<td>Iran</td>
<td>12,643</td>
</tr>
<tr>
<td>Nigeria</td>
<td>11,710</td>
</tr>
<tr>
<td>Nepal</td>
<td>11,697</td>
</tr>
</tbody>
</table>

For example, for most of the South Korean students studying
in Chinese universities, costs in China are much lower than
studying in other Western countries. In fact, for South Korean students, attending universities in China costs less than attending universities in South Korea, even with the extra housing and living expenses that they have to pay in China. One source says that KRW 4,000,000-10,000,000 (USD 4,000-10,000) would be enough for South Korean students to study in China for a year and this amount includes housing, living, and tuition (Mirae Kyoyuk Yeonguso, 2016). In addition, there are some scholarships available for foreign students studying at Chinese universities. With such economic incentives, many South Korean students choose China as their study destination even though they may feel that the general facilities in China are not as convenient as those in South Korea, or worry about the quality of air and water in China, which are their major concerns. This is true for the increasing number of Japanese students choosing China as a study destination (Wei 2015).

This trend of looking for less expensive alternatives for study abroad among students today (including South Koreans) is related to the globally shared phenomenon of the weakening middle-class families in today’s world. In particular, the weakening of the middle class in Asian countries after the 1997 Asian Financial Crisis has made Asian students and families look for cheaper alternative destinations for study overseas. This is especially visible in non-Western English speaking countries such as the Philippines, Malaysia, and Fiji, which, until the end of the 1990s, were not conventional study destinations for Japanese or South Korean students. Today, however, a substantial number of Japanese and South Korean students tend to choose these countries for their study abroad destinations. These countries all offer a competitive price for South Korean, Chinese, and Japanese students who want to study English at a lower cost. Now, however, many universities in China also offer courses in English, which
further attract international students, especially South Korean students, as seen in the advertisement of the Mirae Kyoyuk Yeonguso (2016) quoted above.

The importance of economic factors in South Korean students’ choosing countries such as China for their study seems to be supported also by the decreasing amount of the money the country spends on overseas education. Koreans spent increasingly less and less money for international education in the 2010s. They spent a total of US$3.72 billion on study abroad in 2014, which was more than 26% off 2007’s peak spending of US$5.03 billion, which was due to the slow economic growth and lowered purchasing power of people (Rubin 2014). With such slowing economic growth and the weakening middle class, South Korean students tend to choose more affordable countries for their study abroad. This is the reason why an increasing number of South Korean students pay attention to countries like China for their study while shunning the traditionally popular study destinations such as the US, the UK, or Canada (Rubin 2014).

Nevertheless, cheaper costs are not the only reasons that South Korean students choose China as their study destination. China definitely offers great opportunities for South Korean students (and those of other countries including Japan). China’s growing economy and developing technology are an attraction for young students and families. Particularly South Korean students, who face a high level of unemployment at home, find the job opportunities in China highly attractive. The numerous South Korean companies and businesses operating in China are an especially big attraction. Tens of hundreds of South Korean small and medium-sized businesses, moved to China for cheaper labour and market access, are an attraction for the South Korean students choosing China for their study destination. Because China is the largest trading partner for South Korean companies,
an increasing number of companies in South Korea also prefer potential employees who can speak both English and Chinese. In addition, Chinese companies operating in South Korea also offer a good employment prospect for those South Korean students studying in China. According to Mun (2004), about half of the South Korean students whom she met in Beijing in 2003 said that they would choose China if they had another opportunity to study abroad. Such opportunities in China also lure South Korean students in countries such as New Zealand to choose China as their study abroad destination. At the New Zealand university where the author works, the Chinese language is very popular among Korean students, and in some cases, nearly half of the enrolments in Chinese language courses are those of Korean international students and Korean New Zealander students.

2.2. Policy Factors

There are also policy-related factors that attract international students to certain countries. Countries that are concerned with the brain-drain problem will try to attract high-quality students from overseas. At the same time, governments are also concerned about the high education industry in their countries, especially in countries where student numbers are in decline. These factors promote international students in certain countries, and the three Northeast Asian countries all endeavour to attract international students to their countries.

Japan is a good example of such a case. Japan used to be the second largest economy until 2010, when China surpassed the country. Now, Japan is the third largest economy in the world. Nevertheless, despite the large size of its economy, Japan did not attract many international students until the 1990s. With its dwindling population, the Japanese tertiary education sector also suffered from decreasing student enrolments. At the same time,
like other advanced economies, Japan also needed new brains from overseas for its economic development. With these problems and needs, the new Japanese government launched a new policy to attract more international students. Today, there are nearly 300,000 international students studying in Japan (JASSO 2017), and Japan’s popularity is increasing among Asian students.

Similarly, China also has been aggressively recruiting brains from overseas, particularly from overseas Chinese communities, by offering various legal and financial incentives. China is also recruiting students (as well as skilled workers) from Taiwan. China’s rise to the second largest international study destination in recent years shows the country’s successful policy to attract international students. As seen above, the number of South Korean students studying in China has increased dramatically in the last ten years.

While governments promote international students for economic and other reasons, universities also compete for international students, both to maintain the institutions with viable enrolments as well as for their global rankings. Global rankings are vital for top-class universities everywhere as they compete for the best students and finances. One of the criteria for higher ranking universities is the number of international students enrolled, and that is the reason why they pay close attention to the recruitment of international students. One example case is the University of Tokyo’s PEAK program (Programs in English at Komaba), which offers all of its courses in English to attract high quality international students, including ethnic Japanese students, from overseas.

3. Japan as study destination & Japanese students

As stated above, Japan used to be the major study destination for students from the East Asian region before World War II. In
In the late 19th century, many Chinese and Korean students flocked to Japan, which successfully modernised itself after the Meiji Restoration. Many prominent leaders and intellectuals of China and Korea spent some time in Japan in their youth, learning the Western ideas, science, and technologies. This, of course, was changed during the War.

After the 1960s, however, with Japan’s successful post-War economic development, Japan began to attract students from all over the world, particularly from Asian countries. As the diplomatic relationship between Japan and South Korea was re-established in 1965, South Korean students, though small in number, started to arrive in Japan for study often with the scholarship offered by the Japanese government.

3.1. International Students in Japan

Unlike China or South Korea, Japan has been a significant receiver of international students in the early 20th century after it successfully transformed itself into a powerful modern industrial nation. Students from both China and Korea came to Japan in the early twentieth century. In particular, prominent Chinese leaders had studied in Japan: Sun Yat-sen, Chiang Kai-shek, and Zhou Enlai. This stopped by the 1930s with the war, and it was only in the 1980s when a substantial number of international students from China and Korea arrived in Japan for study. In 1983 the Japanese government made a plan to increase international students. In 2003, there were over 110,000 international students and now the number is approaching 300,000 (JASSO 2017). Among the 239,287 international students in Japan in 2016, Chinese (98,483) were the largest group, followed by Vietnamese (53,807), Nepalese (19,471), and Koreans (15,457) (JASSO 2017; see Table 2).
The number of Chinese and South Korean students in Japan has been growing continuously in recent years. In particular, it is expected that there would be an increasing number of South Korean students in Japan as they face a high rate of unemployment at home but more and more of them find employment in Japan.

3.2. Japanese Students Overseas

While the number of foreign students has been rapidly increasing in Japan recently, the number of Japanese students opting to study abroad has been relatively low. There were times when many Japanese students studied in the US and other European countries (in the 1970s and 1980s), but the number decreased during the 1990s. The number of Japanese nationals studying overseas, according to the OECD statistics, was smaller than those of other countries. However, an increasing number of them tend to choose China and South Korea. Among the 60,138 Japanese students studying overseas in 2012, they were studying in China (21,126), the US (19,568), and the UK (3,633).

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>107,260</td>
<td>40.2%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>61,671</td>
<td>23.1%</td>
</tr>
<tr>
<td>Nepal</td>
<td>21,500</td>
<td>8.1%</td>
</tr>
<tr>
<td>South Korea</td>
<td>15,740</td>
<td>5.9%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>8,947</td>
<td>3.4%</td>
</tr>
<tr>
<td>Country</td>
<td>Students</td>
<td>%</td>
</tr>
<tr>
<td>-------------</td>
<td>----------</td>
<td>----</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>6,607</td>
<td>2.5%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5,495</td>
<td>2.1%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>4,816</td>
<td>1.8%</td>
</tr>
<tr>
<td>Thailand</td>
<td>3,85</td>
<td>1.5%</td>
</tr>
<tr>
<td>USA</td>
<td>2,786</td>
<td>1.0%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2,748</td>
<td>1.0%</td>
</tr>
<tr>
<td>Mongolia</td>
<td>2,517</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

While still many Japanese students prefer countries in North America and Western Europe for their study, there have been increasing number of Japanese students studying in Asian countries, especially countries such as the Philippines, Singapore, China, South Korea, and Taiwan have seen more Japanese students studying in their countries recently. The number of Japanese students studying in the United States declined much more rapidly than did the number of students studying in other countries. However, there were significant increases in the number of students studying in Latin America (600 percent), the Middle East (200 percent), and Asia (41 percent). These figures show shifting patterns of student mobility and indicate changes in the areas of interest for students (Bradford 2015). More and more Japanese students tend to prefer China to the US for their study abroad in the belief that China will surpass the US in terms of economic power (Ford 2010). As the Japanese government promotes study abroad for young Japanese students, it is expected that the number of Japanese international students will increase in the coming years.

4. China as study destination & chinese students
As stated above, China has emerged as one of the fastest growing study destinations for international students, and today China is the world’s second most popular study destination. There are over 489,200 international students in tertiary level programs in China (Ministry of Education of the PRC 2018). The table below shows the growth of international students in China in the last six years.

4.1. China Attracts South Korean, Japanese, and Other Students

Nearly 70,000 South Korean students are studying in China today, making them the largest group of international students. Korean students choose China for the study of humanities, engineering, social sciences, and business management. South Korean students have been the largest group among all international students in China’s universities and colleges for more than a decade. The second largest group of international students in China are Americans (21,975; 5.5%), followed by Thai (19,976; 5%), Indians, Russia, Pakistan, and Japan (14,085; 3.5%).

Table 3. International Students in China (China Scholarship Council 2016)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Number of Students</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>South Korea</td>
<td>66,675</td>
<td>16.8%</td>
</tr>
<tr>
<td>2</td>
<td>United States</td>
<td>21,975</td>
<td>5.5%</td>
</tr>
<tr>
<td>3</td>
<td>Thailand</td>
<td>19,976</td>
<td>5%</td>
</tr>
<tr>
<td>4</td>
<td>India</td>
<td>16,694</td>
<td>4.2%</td>
</tr>
<tr>
<td>5</td>
<td>Russia</td>
<td>16,197</td>
<td>4.1%</td>
</tr>
<tr>
<td>6</td>
<td>Pakistan</td>
<td>15,654</td>
<td>3.9%</td>
</tr>
<tr>
<td>7</td>
<td>Japan</td>
<td>14,085</td>
<td>3.5%</td>
</tr>
</tbody>
</table>
More and more Japanese students tend to choose China as their study destination. In 2016, there were 14,085 Japanese students studying in China. Though their number is much smaller than that of South Korean students, the fact that more Japanese students choose China over the US for their study abroad indicates the popularity of China among Japanese students (Wei 2015).

As seen in the table above, international students in China tend to come mostly from its neighbouring countries (except American students). This is thanks to the cultural similarities and geographical proximity between China and its neighbours. Both Korean and Japanese students tend to feel cultural similarities in China, which makes their lives easier and more comfortable. The Confucian tradition and the Chinese characters among the three countries bring Chinese, Koreans, and Japanese closer.

In the case of the South Korean students in China, it is important to consider the existence of the large number of South Korean settlers in the country (Song 2017). It is in this backdrop that such a growing number of South Korean students choose to go to China for their study abroad. South Korean students in China are not only university students, but there is also a substantial number of primary and secondary school students. They are the children of businessmen and shop owners as well as “jogi yuhaksaeng” (early study abroad students) who study at normal Chinese schools or attend the Korean “international” schools established either by South Koreans or by Korean Chinese (such as the Daewon School in Qingdao).

Major Chinese universities such as Beijing University, Tsinghua University, Renmin University, and Fudan University all have a substantial number of South Korean students today. Chinese Language Programmes provided by these universities and other famous universities are particularly popular among South Korean students. The Wudaokou area of Beijing, where
prestigious universities are concentrated, has a large number of South Korean students and Korean shops. Korean cultural facilities, such as Korean restaurants and cafes, are also an attraction. Interestingly, some answered that they like China because being South Korean makes them more favourable in China (Mun 2004). The negative sides of China as a study abroad destination such as low-quality facilities, lack of academic freedom, and restricted internet communication seem to be offset by the positive aspects mentioned above.

Table 4. Increasing Number of South Korean Students in China
(PRC Ministry of Education)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Students</th>
<th>Long-term &gt; 6 Months</th>
<th>Short-term ≤ 6 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>62,442</td>
<td>12,608</td>
<td>49,834</td>
</tr>
<tr>
<td>2012</td>
<td>63,488</td>
<td>49,450</td>
<td>14,038</td>
</tr>
<tr>
<td>2013</td>
<td>63,029</td>
<td>49,253</td>
<td>13,776</td>
</tr>
<tr>
<td>2014</td>
<td>62,923</td>
<td>48,639</td>
<td>14,284</td>
</tr>
<tr>
<td>2015</td>
<td>66,672</td>
<td>51,509</td>
<td>15,163</td>
</tr>
<tr>
<td>2016</td>
<td>70,540</td>
<td>53,979</td>
<td>16,561</td>
</tr>
</tbody>
</table>

Compared to the early 2000s, in the 2010s more South Korean students tended to pursue their tertiary degrees in China. In Mun’s 2004 study, about 50% of those South Korean students in Beijing’s Wudakou area were there for Chinese language study, and about 28% for preparation for entry to Chinese universities and early study abroad (primary, junior high or high school). Language study students tend to stay for shorter durations than
those who plan to enter universities in China, or who came as junior high school or high school students (Mun 2004).

If these South Korean students had one major complaint, it would most likely be that there were too many other South Korean students at the Chinese schools. As a matter of fact, many South Korean students who want to study in China tend to consider this factor when they decide where to go in China. A company in New Zealand has a policy to send Korean students to smaller cities in China where there are fewer or no Korean students. This is to maximise their Chinese language practice by avoiding the chance to meet too many Korean students while studying in China (as they would speak Korean and have less opportunity to practice Chinese). In addition, as there are so many South Korean students in China, some South Korean students themselves tend to think that there are too many entertainment facilities, especially bars, for Korean students, which is not good for a successful study abroad experience. As Mun (2004) points out, “too many Koreans” works against study abroad marketing for South Koreans. These could be a negative factor that makes other South Korean students and parents decide against China for their study abroad destination.

Another factor that enables China to attract students from South Korea, Japan, and other countries is the fact that the academic level of Chinese universities has continued to improve. In particular, areas such as science, technology, engineering, and university education are at a high standard in China. In addition, more and more Chinese universities are offering courses in English, which is a great attraction for those South Korean students who want to attend graduate schools in the US, UK, Canada, Australia, or New Zealand.

China’s prestigious universities in large cities such as Beijing, Shanghai, and Nanjing are extremely difficult for Chinese
students to enter due to high competition. However, for foreign students who are willing to study there in English, entrance to these universities is relatively easy. This is another attraction for South Korean students who face the high competition of entrance examination at home. This might be the same for Japanese students.

4.2. Chinese Students in South Korea and Japan

As seen above, an increasing number of Chinese students are studying overseas. Though many of them choose the countries in North America and Western Europe, the number of Chinese students who choose to study in Japan and South Korea is on the rise. In Japan, Chinese students are the largest group and in 2017 there were over 100,000 Chinese students studying in the country (JASSO 2017). In fact, many of these international students from China come to Japan to work and eventually they aim to get an employment and permanent residence (Liu-Farrer 2013) because wages in Japan are higher than those in China. Nevertheless, the students often work only part-time, and have unstable and low-wage status. Eventually, however, many of them obtain stable employment and become migrants to Japan (Liu-Farrer 2013). Some of such Chinese students have become successful by engaging in entrepreneurship opportunities, including the IT industry in Japan.

As seen above, Chinese students form the largest group of international students in South Korea. In fact, nearly 80% of these international students in South Korea are from China and it was these Chinese students who virtually fuelled international student business in South Korea in the 2000s. International students from China began to arrive in South Korea in large numbers in the late 1990s. As it was in Japan, many of those Chinese international students in South Korea engaged in labour activities. Nowadays,
however, most of them are genuine students and many of them tend to be allured to South Korea by hallyu. In any rate, the number of Chinese students, both in Japan and South Korea, has been rapidly increasing in the last decade, and it seems that this trend will continue in the near future.

5. South Korea as study destination & SK students

As indicated above, South Korea used to be the largest “exporter” of students to the US, Japan, and Canada until the early 1990s. In general, they formed the largest group of international students, especially in the tertiary educational institutions of the US, Japan, Canada, and Australia. However, the number of international students from China (and, also from India) grew rapidly after the 1990s and they became the largest group. South Korea itself, meanwhile, did not attract many international students from other countries until the early 21st century. Since the 2000s, an increasing number of international students have been arriving in South Korea. The figures below show the increasing number of international students in the country. In 2001 there were only 11,646 international students, but the number continued to grow throughout the 2000s, and by 2011 the number reached nearly 90,000.

Chinese students are the dominant group among all international students in South Korea, and they constitute almost 80% of all international students in the country. As stated above, this trend is similar in Japan, as Chinese students account for more than 50% of all international students enrolled in Japan. The remaining international students are mostly from other Asian countries such as Vietnam, Cambodia, Korea, and so on.
Table 5: Number of Chinese, Japanese, and Mongolian Students in South Korea

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International students from China have been arriving in South Korea in large numbers since the late 1990s. The popularity of South Korean popular culture (“Korean Wave”) played a large role in this phenomenon, as did the cultural similarities between the two countries.

5.1. South Korean Students Overseas

As seen in the earlier part of this paper, there have been serious changes in the pattern of South Korean students’ study abroad behaviour. They tend to choose more unconventional destinations such as China, the Philippines, and Malaysia over the traditionally popular countries such as the US, Canada, and other western countries. What caused this change? First of all, there is an economic cause: the shrinking middle class in South Korea in the last decade. In addition, the demographic changes of South Korea have produced a decline in the University-aged student population. Lastly, although universities within South Korea have been employing aggressive marketing strategies to recruit students as they are concerned about the future prospect of student deficit, their overall global rankings have been lowering,
in relative terms, compared to those in China and other Asian countries (Rubin 2014).

According to the South Korean Ministry of Education, in 2017 a total of 239,824 Korean students left the country for overseas education. Most of these students left for tertiary education: graduate, undergraduate or language programs. While the US is still a popular destination among South Korean students, in 2016 China surpassed the US as the most popular destination for study abroad for South Korean students (Pak 2016). While the number of South Korean tertiary students in China has been increasing continuously (66,672 at the end of 2016), the number of South Korean students in the US (63,710 at the end of 2016) has been decreasing since 2010.

An increasing number of South Korean students also go to Japan for their study. The recent labour shortage in Japan attracts many South Korean young people who seek stable employment overseas. Japanese companies already have recruited more than 50,000 South Koreans in the last few years (Kim 2018). For this reason alone, there is an increasing number of South Korean students in Japan, and they rank fourth among all international student groups in Japan after Chinese, Vietnamese, and Nepalese (JASSO 2017).

6. CONCLUSION: IMPLICATIONS OF THE INCREASING STUDENT MOBILITY IN EAST ASIA

International education of the three Northeast Asian countries has grown rapidly in the last decade. In particular, the number of Chinese students studying in Japan and Korea has grown enormously, and the number of South Korean students studying in China and Japan has expanded as well. We have seen that there has been an increasing number of student exchanges among the three Northeast Asian countries in the last two decades. No
matter what the reasons are behind this phenomenon, exchanges of young students among the countries can have numerous cultural, social, economic, and political impacts on both the sending and receiving countries. As the number of South Korean students grows in China, there appears to be an increase in South Korean restaurants, shops, hair salons, and fashion in major cities, particularly around major universities where South Korean students attend. These shops and restaurants are popular among Chinese students as well, and they have become the new places of *hallyu* practice. Even Chinese shops near universities, i.e. shops in Wudakou in Beijing, feature South Korean products that study abroad students have introduce. It is through these shops that Chinese consumers experience South Korean food, fashion, and consumer products.

South Korean students tend to feel satisfied with China as their study abroad destination (Mun 2004). Blogs and other internet resources tend to testify that South Korean students are generally pleased with their studies in China. Many South Korean students and non-student migrants to China testify that life in China has many advantages compared to that of South Korea. First of all, most of them say that the prices of daily food and consumer goods are lower in China. More importantly, however, they also state that life in China is much less stressful than in South Korea (Mun 2004). There may be many reasons for this statement. First, the cultural similarities between China and Korea seem to make the lives of Korean students easier in China. Secondly, as many students are curious about Chinese culture, society, and language, they naturally feel pleased and content when they learn these things.

Both South Korean and Japanese students tend to like China for its long history and cultural wealth as well as the country’s beautiful natural scenery. They also say that they can enjoy
Korean and Japanese food, fashion, and other cultural products in the big cities in China. International students from Korea and Japan studying in China tend to make both foreign and Chinese friends while studying in China, which can enrich their lives and study experiences.

In any regard, students are an important part of the people exchanges among the three countries. International students make the best workforce and immigrants in any country. They provide cheap and high-quality labour when they work part-time, which eases the labour shortages of their host societies. This is particularly true for small- and medium-sized businesses in Japan and South Korea, where international students often function as a major source of labour. From the perspective of international students, study abroad is a more attractive option when they can expect employment in the host society after their graduation. Such an opportunity could motive more students to study abroad. The fact that there has been increasing number of international students among the three countries of China, Japan and South Korea is encouraging in many regards. As the classical studies of intergroup contact indicate (e.g., Gordon Allport’s 1954 work), such exchanges of students can bring closer relationship and mutual understandings among the peoples.

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For the Governance Problems Encountered in Mongolian Political System

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**Abstract**

Within the framework of this research, the authors’ objective is to summarize their analysis of Mongolian parliament, introduce the country’s political parties’ and their versions of constitutional governance, as well as the public opinions, and explain the advantages and disadvantages of parliamentary and presidential systems. With this respect, the authors provide explanations about the structure and organizational roles of the legislative, executive, and judicial powers on theoretical and practical backgrounds at the institutional and power levels, as the Mongolian parliament system is different from the classic parliament system. Because of state mechanism failures, more and more people are criticizing the current state structure, political system, and functioning of political institutions. In accordance with the social crisis deepening in Mongolia and demands of changes to the Constitution, competing political parties propose drafts of the Constitution. All political parties seem to have an interest in making some
amendments, or entire changes, to the Constitution. This article features a combination of several different perspectives on Constitutional changes or amendments.

Keywords: Constitution, Presidential institution, Parliament, Government, Cabinet principles, Political institutions, Bicameral parliament structure, Power

Foreword
Since its adoption of a new Constitution in 1992, Mongolia has transitioned into a democracy and market economy system. All political parties, even the public, and researchers continue to appraise the constitutional role that pervaded over the last two decades. Currently, a wide range of judgment surrounds the Constitutional role in regulating political institutions and directing social, economic, and political relations of the country. This criticism comes not only from the public, but also from political experts, civic society activists, and political parties. The judgement mainly concentrates on politicians and their personal behaviors and actions, which are blamed for; the failure of socio-economic development (poverty, unemployment, uneven distribution of social resource, etc.); breaks of social injustice (failure of social ethical principles and norms, increase of crime, bribed judiciary system, rise of oligarchic, and criminal groups, etc.); and for the rise of bureaucracy. However, none has been accused or penalized yet for these actions. In past 5-6 years, the political system and the constitution have been blamed for the above-mentioned phenomena; therefore, political parties and political forces have drafted several amendments to the Constitution for public discussion. The contents of those drafts mainly concentrated on the following issues:

1. Criticism on Presidential institution:
   - Negative consequences come from presidential power,
which is stronger than common trends and models of parliamentarian governance within other countries;
- Constitutional rights concerning the appointment of the President, which transferred judicial and legal organizations into the control of the oligarchy;
- The current presidential power does not sufficiently enable the president to veto rights on bills and law drafts. Therefore, there is a need to increase presidential power;

2. Criticism of unicameral Parliament (or State Great Khural of Mongolia):
- The state of Parliament members’ responsibility, ethical standards, knowledge, and skills, is very poor;
- Mongolian Parliament has been affected by the lobbies of foreign and domestic groups, which conflicts with national interests;
- Due to the overwhelming power of the Parliament, the government is unable to implement any of its policies and programs;
- A bicameral Parliament structure is being proposed to replace the current unicameral structure;

3. Criticism of unstable and less powerful government, and exceeded centralization of public administrations:
- Proposal to make governmental power obtainable by Cabinet principles;
- To decentralize executive power;
- To make amendments to the Constitution in order to enhance mutual control and balances between the powers and responsibilities of Parliament, Government, and President.

There were many other critiques and proposals; however, we emphasize the above ideas by their frequency and importance, among other reasons.
The objective of this research is to give explanations about the structure and organizational roles of the legislative, executive, and judicial powers on theoretical and practical backgrounds at the institutional and power levels because the Mongolian parliament system is different from the classic parliament system. Mongolia has a unicameral structure of the president and representatives elected by public election. According to Chimed B, Mongolia has a “semi” or “mixed” structure of political governance (Chimed 2007, 7). Political governance is generally organized on the basis of many internal and external factors. The structure and organization of Mongolian governance, its control, and the balance of power separation have made the average duration of Mongolian Cabinets last about two years in the recent 30 years. This has led to an increase in public criticisms. On the other hand, some opponents recommended stepping away from parliamentarian governance and democracy; and shifting into presidential governance with the intention of establishing an authoritarian regime. Within the framework of this research, the authors’ objective is to summarize of their analysis of Mongolian parliament, introduce the parties’ versions of constitutional governance as well as the public opinions, and explain the advantages and disadvantages of parliamentary and presidential systems.

**Theoretical and practical backgrounds**

In order to understand the structure of political institutions, it is necessary to review their political backgrounds. According to political scientists, political governance has two main sources: first is a society, or a civil society by modern terms, while the second is aristocracy or elites.

The first source is based on the demands to regulate property and private law disputes between persons united by the
geographical locations, and to improve the results of the law enforcement.

The second source tends to be tyrannical or oppressing. It may consist of an elite or authoritarian regime over a group of people; joined on the basis of their geographical location (worksites and natural reserves). The governors of these people, whether they are political elites, governing classes, managers, or feudal governors, seek to obtain goods or wealth from their governed. In order to reach their objectives, the governors have to establish institutions with four different functions: First, the institution must create rule of law for its' governed; Second, it should fulfill the desires of the governor; Third, it should settle disputes between governors and their subjects; and lastly, the institution has to set forth responsibilities and penalties on those against the governor.

Institutions are one of the natural images of people in a society, and are often considered an unchangeable image of life; however, the research on institutions from a social science point of view considers the institution like a social organization, pertaining to a certain historical period, and as a social and cultural composite created by the options and choices of a group of people rather than individual choice.

It is impossible to explain the consequences of the interrelations between the President, Parliament, and the Cabinet without touching on the issue of power. The word “power” is polysemic; however, two of these meanings are important here. First, the word “power” expresses a capacity of a legal right to implement the necessary tasks and availability of financial, human resource, and organizational property reserves; secondly, power is a relation issue. In order to maintain executive power, it is necessary to have sufficient power to maintain an independent and efficient control over one’s position; however, a concentration of power usually leads to oppressions. Still worse, too much power spoils the personality of
the one in power. Montesquieu has once emphasized, “There can be no liberty when accumulation of all powers, legislative, executive, and judicial powers are in the same hands” (Nyamsuren 1998, 108).

The main role of parliament is legislation; however, parliament can play administrative or judicial roles as well. These different functions are specified within the Constitution, such as budget approvals and other major policy issues; these social and economic decisions are made during a parliamentary session for and on behalf of the executive power. Similarly, parliament may play the role of the court in a process of political complaint solution. Parliament is generally established through an election as seen in the UK. Popular in continental Europe (including Eastern European post-communist countries that democratized late in the 20th century), members are elected through several proportional representation formulas. There are many other detailed versions and explanations on proportional representation, however, this method is chiefly suitable for multi-party systems (Cox 1997). Parliament seats are shared among several parties instead of just two parties; therefore, one party rarely wins the majority of seats. In many countries with a parliamentarian system, it is necessary to negotiate with several parties in order to establish a Cabinet, with exception of few cases in the UK and other countries, where one party makes up the majority of the Parliament.

Parliaments of various developed and developing countries have different resources and tools. The limited budget of developing countries creates a lack of resources for other development demands. Parliament members do not consider this issue a serious concern.

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1 In some parliamentary democracies like Germany, Japan and New Zealand, there is a mixed electoral system where some part of MPs wins seat with majority vote while the others are in Parliament as a result of proportional representative formula.
Many developing countries are lacking not only reserves; but also professional staff with sufficient knowledge and skills. This causes failures in the normal operation of parliament. For instance, Mongolian parliament resolutions, laws, and rules have not been studied and analyzed at a professional level, therefore, it is common for them to serve emotional, populist, or limited interests.

The creation of a democratic parliament generally starts with an election. The new parliament is usually created with the composites of many parties’ representatives; however, these parties do not always win the majority of seats. Each political party has the rights and chances to set its control on certain numbers of seats and to implement its own policy and programs through the public polls conducted during the election campaign. Meanwhile, the Cabinet keeps governance and still holds its power and runs the country.

The first urgent issue for the new parliament is the decision whether to retain the previous Cabinet or to replace it with a new one. When representatives of several parties are changed by election results, a new cabinet is likely to be organized. However, if no party can create a majority of the Parliament, the new

\[\text{In effect, each party may be treated as a unitary actor. Despite American political parties with wide ranged politics and members with better freedom to support their own policy and objectives, parliamentarian parties chiefly have united policies whereas political leaders enjoy a strong mechanism to support their policy and objectives. As I previously mentioned in Article 14, the leader of political parties with seats in Parliament must pay a special attention to make their supporters and followers happy and satisfied. However, their actions may better serve their party over their supporters. As a consequence, we may think that political parties with seats run their operational activities on a basis of their carefully determined list and order of values and legal interests; however, political parties can also be based on the actions and beliefs of their party leaders.}\]
parliament seeks a collaboration and coalition of political parties. A formation of a new government requires coalition (Shepsle 2010)³.

Parliament needs to keep checks and balances while collaborating with the executive government; certainly, too much interference does not meet with public interests. Unfortunately, modern executive governments enjoy special privileges that might become a dangerous threat. These privileges most likely resulted from insufficient skills of the parliament or an unwillingness to utilize parliamentary power.

It is widely accepted that parliament should be independent of the executives on some issues, such as selecting and controlling the parliamentary organizational and internal timetables, and enjoying a chance to announce emergency sessions as needed. This is one of the major differences between the presidential and parliamentary systems in general.

Most of the above measures intended to improve legislations are also related to the issues of improving the cooperation between two chambers in bicameral parliament. The objective of the upper chamber of the parliament is to grant better opportunities for controlling law drafts from the different points of view, such as state and regional interests (for federal states), positions of political parties, and different knowledge, skills, and experiences. As a consequence, if negotiations can be reached on laws and regulations, perhaps the public would be more accepting. Democracy is based on negotiations and consensus, therefore, public acceptance of the newly adopted laws and regulations shall be the main factor for the successful enforcement of the law.

Adopting a law does not mean the completion of law enforcement activities; therefore, parliament members may reveal any errors on the basis of the analysis of the law enforcement process in order to

correct the government from misinterpretation or incomplete enforcement of the laws and regulations. The common reason for inefficient enforcement of laws and regulations is a lack of financial resources. As we have mentioned earlier, the offered laws and regulations should consider the financial consequences clearly and reflect them in the budget.

In addition to its legislative role, parliament also plays a role in setting controls on the government on behalf of the public. It also runs budget control and financial inspections in certain fields. Here we shall also review general issues of government policy and implementation, where the government takes responsibilities before the parliament and accounts those responsibilities before the electors through the parliament.

All political parties in the parliament have representation in one of the committees, however, the party politics may spoil any committee’s ability to enforce joint control on governmental agencies. In addition, the presence different interests within a party does not mean that all these interests must be expressed openly in the public. When members of a party touch on any issues that might put pressure on the government or threaten the internal unity of the party, obstacles usually arise within party membership and behavior. Members usually base their interests on a particular political party in order to get involved in that party and to be elected as a parliament member; therefore, the administrations of the political parties may require their members to be fair and enforce discipline. It may also become an obstacle for committees to implement their controlling assignments efficiently.

Parliament committees control ministries and other governmental organizations; and inspect the special policy issues through the most systemized method of control on the executive power. The committees have a parallel structure with the relevant governmental organizations, and the parliaments updated their
committee system in order to grant their members with the opportunities to improve their knowledge and skills within this parallel structure. In many bicameral parliaments, there are joint committees between chambers.

A brief summary of analysis on problems faced in mongolian parliament

The following issues are actualized in accordance with an analysis based on the results of the above-mentioned critiques and debates concerning state system and governance issues in Mongolia. In order to give theoretical and practical explanations to the issues expressing the main contents of the critiques and discussions, we have used theoretical and system methods and behavioral methodologies.

The following actions and tendencies express the issues concerning the negative consequences that arise when presidential power is greater than the power in common models of the classic parliamentary system:

1) The existing method of electing a President through public vote seems to negatively influence executive governance and results in a two-faced government. This is because the part of executive governance that includes the court, prosecutor’s office, anticorruption agency, intelligence office, police, and legal resolution organizations and agencies, is dependent upon presidential appointment. These agencies, among others, may put additional pressure on the political opponents through corruption and fake scandals such as the “Injustice tunnel”, the Anod Bank case, etc.

2) The issue of selecting a president or parliament as an appointing power for judges in the judiciary system is not emphasized enough. Any subject eligible to appoint judges should be loyal to public interest rather than motivated by a thirst for power. In common practice, judges are appointed by
his royal highness or selected by public vote. Since there is no existing monarchy in Mongolia, scholars suggest that the appointment of judges in the Supreme Court should be completed by the public through a direct vote.

3) When the President plays a decisive role into the appointment of the judicial governance and administration of force organizations, it spoils judicial independence and sovereignty and allows force organizations to serve for “dominant” political forces through “loopholes” in the relevant laws. There is plenty of similar evidence we can easily catch from Zorig’s investigation, Justin Kapla’s case, and many other cases.

4) When the President has the right to veto laws, he or she might view the law too subjectively or use less restriction when determining which laws, or parts of a law, to accept. For instance, the “restoration of death penalty” issue has been introduced into the parliament. Still worse, election law has been amended for the interests of the ruling powers within six months before the election date. Many other cases have also emerged that will prove that the president veto right might result in unwanted laws.

5) The only justification for the political forces that intend to increase the presidential power requires transferring the role of one chamber of bicameral Parliament to the President. Even theoretically, it is impossible when the presidential institution performs the role of the entire representative chamber, as this supports an authoritarian oppression, which breaks the structure of democracy.

4 Dominant political force – Oligarchy, mafia, and cartel domination “MANAN” consisting from leaders of two dominant parties has been protected by legal and legislative organizations for recent 20 years.
Backgrounds for critical discussion on Parliament:

1. The poor condition of the responsibilities, ethics, and knowledge of parliament members is chiefly related to the absence of an upper chamber with permanent activities and members specialized in political science and elected by proportional representatives, and of a lower chamber of representatives. The House of Lords in the UK plays a main role in political decision making and the legislative process; however, the House of Commons primarily reviews these bills and issues, and determines whether or not to accept them. One of the tragedies in Mongolian system is that a representation of electors with great desire, beliefs, and trusts directly appears in the Parliament and adopts laws without deeply understanding the meaning and contents of the bills. Rather than an in-depth education on different laws and policies, these representatives merely take a “parliamentary course” for four years. One disadvantage of democracy is an absolute inadaptability of the representatives in parliament. For instance, “Lower House”, or the house which directly elects from the public, differs from Upper House, or the house with inheritance and indirect election, as the Upper House has laws initiating rights on finance, whereas the lower house directly represents tax-payers (Hague and Harrop 2013, 205).

2. The difference between a unicameral and a bicameral parliaments can be seen in different countries. Most of the countries with a unicameral parliament are included in the list of poor countries by GDP, but very few of them are considered rich. Their wealth depends on different factors. For instance, Saudi Arabia and Qatar have an absolute monarchy without any political parties and parliament, and because of this, they benefited from their mutually profitable contracts with developed countries during the oil crisis in the 1970s. However, Singapore
has been granted with economic privilege thanks to harbor across the Indian Ocean, whereas Denmark exists between countries that have reached a higher level of social, economic, and cultural development, therefore, Denmark can use unicameral parliament more efficiently. Most of the countries with bicameral parliament are considered wealthy or moderately wealthy countries based on their GDP rate per person.

3. In comparison with bicameral parliament, unicameral parliament is more prone to lobbying by groups that may prove harmful to national interests during the law adoption process. Recent comparative studies on the democratic transition of post-communist countries have summarized that the level and quality of democracy is determined by the power and efficiency of the legislative structure rather than the system (presidential, semi-presidential, and parliamentary). Where there is a strong legislative, there is heavy control on executives and strong influences on party maturity. The summary of the survey noted that “a strong and powerful legislative organization might be the only key to the democracy,” and that “state structure with loose legislative organization urgently needs to make a constitutional reform and to strengthen a legislative organization” (Fish 2006).

4. The division of Parliament into two chambers is a classic regulation approved by ancient history. Montesquieu once mentioned, “Legislative power consists of aristocratic and national representatives with different interests and different doctrines where both convene in separate places”. Maurice Duverger once mentioned, “The aim of two chambers is to strengthen conservative force or sustainability of the executive power”. Recently, in the UK, the power of the House of Lords has been gradually reduced and the House of Commons enjoys the majority of the political powers.
5. There is also a tendency that a tiny structure of unicameral parliament consisting of 76 members, and a loose mechanism of parliamentary members’ responsibility, with many loopholes, results in a more vulnerable parliamentary system in Mongolia and indulges the situation of libeling others for one’s own mistakes.

Tendencies of critics on the unstable and powerless situation of the government and over-centralization of public administration:

1. There is a strong tendency to make the government work with Cabinet principles, because the Prime Minister’s appointment of his cabinet members is resolved by Parliament, thereby making the composition of the Cabinet more dependent on the factions in the Parliament. This results in loosening of an executive power; the ministers work without any common policies and programs; and only serve the interests of limited lobby groups. This is similar in both cases of a coalition government and cases when one party wins the absolute majority. When one faction within the party wins sufficient support from its members, the Cabinet could be dismissed.\textsuperscript{5} In accordance with European experiences, a government with multiple prevailing political parties has to control its rating and documents in order to run sustainable activities. However, a simple fulfillment of this task is enough for keeping order inside the party. In Mongolia’s case, when a political party that wins a

\textsuperscript{5} In 1994, UK Conservative Government’s Prime Minister John Major made its Cabinet united; however, his Cabinet existed only for a short time. His party took fewer seats in the lower Chamber; therefore, they were very susceptible to receive a black letter. In fall 1994, the Conservative Party made a proposal to dismiss the government during the parliament questionnaire to improve roles and participation of European Union. (This party supported the proposal to join European Union). Most of them ignored them and got a victory.
majority of votes forms a government and sets its Cabinet, the
most serious danger is representatives from one or more parties
with seats in the Cabinet composites may make a proposal on
the dismissal of the Cabinet or join the counter forces in case of
dissatisfaction with the operational activities of the Cabinet
members.\textsuperscript{6} It has become a common phenomenon in Mongolia
that a faction-dependent government is volatile due to those
factions. In Mongolia, governmental sustainability is vital for
the implementation of the action programs of the ruling party.\textsuperscript{7}
One way to overcome such a situation is to make the Prime
Minister set his Cabinet with specific responsibilities.

2. When there is a very loose mechanism of responsibility for
authorities and wide range of chances for “ordered or bribed
law” for someone’s sake of interest, government stability is
threatened. In this case, whether the government is appointed
by parliament or any other organizations not relevant. In order
to gain profits from the executive branch, various interest
groups tend to dismiss the government for pursuing its own
interests.

3. Ruling parties generally promise to take measures on reducing
the concentration of public administrative authority, but they
hardly keep their promises. Instead, politicians and public
administrators strongly keep a state-centered tendency and

\textsuperscript{6} If the government changes from the ruling party, as we mentioned before, the
Parliament shall not be necessary to dismiss the Cabinet. If the political parties
in the government are not sure to receive supports from the Parliament, the
government shall be dismissed by its own initiative and start activities to set a
new Cabinet or the Prime Minister may address the Head of State to call for the
ban on the parliament resolutions and have a new election.

\textsuperscript{7} For last 28 years, only two out of 15 governments in Mongolia lasted for four-
year period while the others were dismissed before the appointed period.
retain the relevant interests in their mentality while their promises to the public remain unfulfilled.

4. Main critiques tend to set mutual checks and balances between the powers and responsibilities of parliament, government, and the president through amendments and reform in the Constitution. Within this framework, it becomes necessary to have a classic parliamentary system, where the president is elected from the parliament, and to set limits on the power. It is necessary to establish a bicameral parliament and to transmit presidential veto, law-making rights, and judicial appointment rights to the House of Representatives. The head of executive governance should also be granted with the right to establish his/her Cabinet and to dismiss the parliament.

A BRIEF INTRODUCTION OF ANALYSIS CONDUCTED ON “CONSTITUTIONAL AMENDMENTS” OF THE POLITICAL PARTIES

Those who misused their state power in order to obtain public treasures for their own welfare usually deteriorate the country; they take advantage of opportunities to use their state power and thus spoil the power of the state. Modern Mongolian political system and state institutions are under increasing scrutiny. Due to public criticism, political parties have been proposing their drafted amendments to the Constitution of Mongolia. In general, public psychology has already been shifted to amend the 1992 Constitution and to change the system of state structure. As a state organization, which is susceptible to corruption and creates a privileged group of people, positions of power may deteriorate the organization’s position under the name of improving the state institution.

In 2017, the Mongolian People’s Party (MPP) proposed amendments to the Constitution. In their research, the authors paid attention only to the section of the proposal concerning state structure
and political systems. The version of amendments into the “Constitution of Mongolia” proposed by MPP includes:

1. Changes in the rights and responsibilities of President:
   - To deduct the presidential right of initiating a law
   - To deduct the presidential right of giving directions to the government

2. Amendments to Parliament:
   - During the negotiation and approval of the budget, Parliament shall be prohibited to create a new type of costs or to increase the size of costs without prior proposals and opinions of the government.
   - Parliament session period should be 75 days. The attendance rate of the session and the law approval rate should be increased.
   - Within the framework of parliamentary power, the ad hoc committee of inspection should be established.
   - A State Inspection Organization assigned to assist parliament should be established.
   - No more than one-third of Cabinet members should be a parliament member.

3. Amendments and changes related to the government
   - Prime Minister shall organize his Cabinet.
   - The ability to dismiss the Cabinet was amended.
   - State officials’ principles of specialized, sustainable conditions and a merit system of office shall be followed.

The version of constitutional amendments proposed by MPP reduced the presidential power of initiating law drafts and his/her involvement in government actions; however, it has reserved a “mixed” semi-parliament system with a directly elected president. In the proposal, the presidential power’s jurisdiction is replaced by the ratification power of court appointments, which in fact may reduce
his/her influence over the judiciary system although not completely denying his/her involvement.

The constitutional amendments proposed by MPP tend to keep a unicameral system, which leads to the restoration of the MPs’ irresponsible, unethical behavior, degradation of knowledge and skills, and reserves an incapability to restrict laws that serve for limited foreign and domestic groups against national interests. While there is some slight progress in the MPP version of the Constitutional amendment concerning the transformation of the government into a Cabinet system, the current system is largely going to be preserved.

The provisions of “Supreme Law,” proposed jointly by Mongolian People’s Revolutionary Party (MPRP), Mongolian Green Party (MGP), Mongolian National Democratic Party (MNDP), and Civil Will-Green Party (CWGP), that intended make amendments and changes to the constitution are as follows:

1. To elect National Great Khuraldai (NGK): National Great Khuraldai shall enjoy a legislative power consisting of elected and appointed representatives. Every administrative unit (of khoroo, village, and soum) will have its representative in NGK, which consists of approximately 500 delegates.
   • A person who collects no less than 250 supporting signs shall be nominated in National Great Khuraldai.
   • One-fourth of National Great Khuraldai total delegates shall be elected annually.

2. To elect State Baga Khuraldai, Members of State Baga Khuraldai shall be elected by the proportional system.
   • The president shall enjoy a right to disseminate State Baga Khuraldai upon negotiations with the Speaker of National Great Khuraldai and State Baga Khuraldai, and make a decree to announce a new election once in his full power period (such a decree to disseminate State Baga Khuraldai
must not be made in the first year after the election for State Baga Khuraldai):

- National Great Khuraldai shall resolve whether to withdraw members of State Baga Khuraldai.

3. To organize a national referendum:

- Strategically important properties of peoples – to be resolved by a public poll organized by National Great Khuraldai
- Local properties of peoples – to be resolved by a public poll organized by Citizens Representatives’ Khural.
- National Committee for Human Rights
- People’s Inspection Committee

A version of “The Supreme Law” does not interfere with presidential power but rather increases it. It can be considered as a version of the presidential system. In this circumstance, the President can influence all legislative, executive, and judicial authorities. This version of The Supreme Law proposes a bicameral parliament to improve the parties’ and parliament members’ responsibilities, and sets restrictions to laws through the House of Representatives that might become a background to improve the quality of any legal documents. The role of the Prime Minister is decreased in this version, and several rights are transmitted to the President.

**Conclusion**

All political parties seem to have an interest in making some amendments, or extensive changes in Constitution, however, they have different perspectives regarding the type of change. The MPP and DP, the dominant political parties that play a major role in Mongolian politics, are interested in limiting amendments to the Constitution and maintaining a unicameral parliamentarian system.
Certainly, there are some different interests and positions among the members of these parties; however, both party leaders and the majority of the members support this position. Minor parties that are considered as a “third force” are interested in making an entire structural change to the constitution, however, their position on constitutional amendments is not yet integrated. For instance, while they support bicameral legislatures, they have conflicting positions over presidential and parliamentarian system preferences. In addition, while most parties encourage the idea of increasing the power of executives, they cannot all concur on limiting presidential power.

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Power and its Main Factors: Nonconscious Priming of the Feeling, Stereotype and Responsibility

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Abstract

Power is one of the primary research subjects of academic disciplines such as political science, sociology and psychology and the core of further research efforts of social sciences. In recent years, power, its effects, and the main factors that influence power have been examined and researched from the perspectives of political and social psychology disciplines.

This research examines power within interpersonal communication through non-conscious priming of feeling, stereotype, and responsibility, as well as the correlation of power and personal characteristics using methods of interview, experiment, testing, and computer testing. The research involves respondents chosen through systematic sampling among people with different levels of power feelings. Collected data is analyzed through factor analysis to determine the main effect of key influencing factors and interaction effect among them.
Keywords: Power, Non-conscious, Behavioral activation system / behavioral inhibition system

In political science, the concept of power is comprised controlling government power and its legitimacy. Some theories of power also include political power, and power in the relations among the representing countries.

The concept of power in political science has been renewed and reconsidered from ancient times to the modern era. For instance, in the Renaissance period, Niccolò Machiavelli examined the concept of power through a rational description, focusing on the sources of power and the way of acquiring and holding political power. Power is the most significant measure in the sphere of international relations. In this sense, the soft and hard power policies are now being popularized in the policies of foreign nations. Therefore, scientists widely conduct studies on power and influence because of their ubiquitous existence and effects in the social, economic, and interpersonal relations.

In interpersonal communications, power clearly plays a large role and has a crucial impact upon all social relations. Because of this, the implementation and effectiveness of power on these relationships must be the primary focus of the study of social relations. As quoted by Keltner in his book *The Power Paradox* (2017) “The fundamental concept in social science is Power, in the same sense that Energy is the fundamental concept in physics...The laws of social dynamics are laws which can only be stated in terms of power” (Russell, 1938, p. 10).

In the aspect of political psychology, scientists consider that the source of an individual who aspires for power is the result of a “sense of lack” and the power makes a leader in the political arena. In Kipnis’ view, however, some scientists consider that an individual who has power tends to be endowed with advantages from social
relations. In other words, he/she tends to view him/herself “on a high horse”, will consider interest and acquirement from social relations as fair and right, and furthermore, the individual may be inclined to have lower respect and understanding of other people’s opinion.

Bendahan, Zehnder, Pralong, and Antonakis (2015) have reached the conclusion that there are three tendencies to consider oneself more important than others and undermine others. The first one is that the individual who has the power views his/her own interest as more important than the well-being of entities. The second tendency he/she does not share others’ emotion (emotion sharing). The third is the individual tends to become hypocritical. In other words, he/she always tries to make his/her action right. Lammer, Stapel, and Galinsky (2010) studied and confirmed that the more the influence of power increases, the more the individual claims his or her own action as right.

For these reasons, the individual who has the power becomes highly confident in him/herself and this creates a problem. In other words, the more influence of power someone has the more their self-esteem raises and the their views own actions are elevated. In addition, they do not accept any negative information and are in denial according to the study by Keltner, Gruenfeld, and Anderson (2003). Hereby, in accordance with the study of Anderson and Galinsky, they only accept and see positive results and like to make risk-taking decisions.

Therefore, based on previous studies conducted in the USA, Japan, and China, this research aims to conduct similar tests and surveys in order to establish links between the sense of power and its influence upon the optimistic view; links between this optimistic view and tendency towards more risk-taking decisions. Furthermore, the power difference is generated because of the scale
of power, and it leads individuals to aim for power in the case of Mongolian respondents.

This research is the initial component of a larger research effort on the influence of power on individuals and their behavior from the perspective of political psychology, using already utilized methodology developed by such scholars as Anderson, Galinsky, and Keltner.

Study I

Objective

A power and behavioral activation/inhibiting system, formulated by Keltner, Gruenfeld, and Anderson, reveals that increasing the sense of power causes a person to be more active to meet his own needs (Keltner, Gruenfeld, Anderson, 2003). In other words, this sense will help reduce controlling and inhibiting actions, enable the pursuit of rewards and provide new opportunities.

Further, restoring the sense of powerlessness also leads to inhibiting certain behaviors (behavior inhibition system, BIS). The person begins to control and inhibit his own behavior, and to consider that threats and punishment might occur. The first part of the survey has an objective to test whether or not inciting a sense of power inhibits behavior.

Survey research method

1. We used a method that reminded the test subjects of a situation in which they possessed power or someone else possessed power over them (mindset priming). A group of respondents was asked to recall and write an essay about a situation in which they exerted power and influence over other people’s opinions or actions. To incite a sense of powerlessness, the second group was assigned to write an
essay on a situation in which someone else had power and influence over them through supervision, control, or evaluation of their activities and opinions. As for the control group, they were given a task to write an essay about the main events of their lives in the past year.

2. Using the behavioral activation and inhibition system developed by Carver and White, we examined how the sense of power affects behavior. This system defines behavioral activation and inhibition tendency comprising of 20 questions, of which 13 questions related to behavioral activation, and 5 questions related to behavioral inhibition. Each question has choices ranging from “extremely unlikely” to “extremely likely” (1-5 scale). In this survey, we translated and used template questionnaires from previous experiments in the USA, Japan, and China.

Survey Procedure

After selecting participants randomly and dividing them into 3 groups, we gave the narrative essay assignments which were used to generate the sense of power, powerlessness, and neutral feelings among the test subjects. After this, we asked them to fill out the BAS/BIS questionnaires.

Survey plan

The independent variable is the sense of power in three levels 3 (high-power group, low-power group, and neutral-power group) and the dependent variable is its influence upon the two behavior types: behavioral activation (BAS), and behavior inhibition (BIS).

Selected participants

In this survey, 87 university students participated, and 38 students’ tests qualified (6 male students, 32 female students;
The students were selected randomly and divided into 3 groups. The sense of power group had 10 students; the sense of powerlessness group 12 students and the control group of 16 students.

**Survey result**

The findings above highlight that the high-power group covers 26.3%, the low-power group 31.6% and the control group (did not generate a sense of power) 42.1%.

The median of BAS/BIS is 2.75-4.84 and its standard deviation is 0.53-1.36. A correlation between each the scale of each question and total scale is 0.072-0.671 and its dependent is lower than 0.3 (P>0.05). We excluded questions 1, 2, 7, and 18, as well as figures whose standard score of Z is found between the median and 2.5, in order to ensure valid representation of the sample. Hereby, we formulated 38 qualified test results.

Each one of the BAS/BIS internal consistency is $\alpha_{bis}=0.803$, $\alpha_{bas}=0.779$ (0.616, 0.581). The following table shows scales of the
high-power group, the low-power group and the neutral group on the basis of BAS/BIS.

<table>
<thead>
<tr>
<th></th>
<th>High-power group</th>
<th>Neutral-power group</th>
<th>Low-power group</th>
<th>Chi-Square</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIS</td>
<td>21.00</td>
<td>20.47</td>
<td>20.15</td>
<td>.030</td>
<td>.985</td>
</tr>
<tr>
<td>BAS</td>
<td>15.15</td>
<td>22.59</td>
<td>21.88</td>
<td>2.843</td>
<td>.241</td>
</tr>
<tr>
<td>BASR</td>
<td>18.45</td>
<td>19.24</td>
<td>23.73</td>
<td>1.549</td>
<td>.461</td>
</tr>
<tr>
<td>BASD</td>
<td>13.65</td>
<td>24.03</td>
<td>21.15</td>
<td>5.280</td>
<td>.071</td>
</tr>
<tr>
<td>BASF</td>
<td>14.15</td>
<td>24.24</td>
<td>20.50</td>
<td>4.769</td>
<td>.092</td>
</tr>
</tbody>
</table>

The statistical analysis (Kruskal Wallis Test) in Table 1 reveals that the three different groups had alternative aspects of activating and inhibiting behavior. This analysis highlights the rate of the high-power group whose behavior to pursue needs and rewards is higher than that of the low-power group (P=0.071).

Furthermore, this test proves that the high-power group activates their behavior in order to get satisfaction and pleasure at a higher frequency than the low-power group (P=0.092). In other words, the more power someone has, the more he/she tends to pursue rewards and needs without inhibiting his/her behavior and the more satisfaction he/she gains from what was acquired. The survey result also shows that the less power someone has, the more he/she tends to inhibit his/her behavior. This supports the results of the study conducted by Lammers, Smith, and Bargh, to some extent.
Study II

Objective

The results of the studies by Anderson & Galinsky (2006), Maner Gailliot, Butz & Peruche (2007), and Ronay & Hipper (2010) indicate that an increase in the sense of power leads to more inclination towards risk-taking decisions and actions. Thus, this survey’s objective is to determine if there are any causal links between the sense of power and risk-taking.

Research Method

1. We used a power concept inciting method (conceptual priming) when generating a sense of power. The conceptual priming generated a sense of power on the nonconscious level. We gave the respondents the task of composing sentences. The task was to compose a sentence using four words out of five proposed words. The participants were divided into three groups: the high-power group, low-power group and the neutral power group. 7 of the 20 possible sentences would incite the sense of power (e.g. power, authority, supervision, lead, etc.) and the other sentences would not generate such a feeling.

2. We used a risk-perception-behavior task which had been used in surveys of Tversky & Kahneman, 1981; Anderson, et al, 2006. The participants were given situations and had to choose one of the two alternatives offered. After they made their choices, their confidence was reassessed on a scale of 1-6., A scale of 1 stresses the lowest risk option, while a scale of 6 suggested the highest risk option.
Survey Procedure

We give participants the task of composing sentences to generate a sense of power (mindset priming) followed by the task of selecting options in a certain context to define their risk-taking proclivity.

Survey Plan

The independent variable is the power levels of the three groups (high-power group, low-power group, neutral group)* and their correlation with the dependent variable on two frames (GAIN/LOSS frames), according to the Prospect Theory.

Selected Participants

In this survey, 340 students participated and 315 tests were qualified (67 male, 248 female; M_age=18.79, M_d=18.5). The students were selected randomly and divided into three groups. The first group with a higher sense of power had 122 students; the second group with an incited sense of powerlessness had 84 students, and the neutral group had 102 students.

Survey Results

![Figure 2: Group participation percentage](image)
The findings above highlight that the high-power group covers 38.7%, the low-power group 26.7% and the neutral group (did not generate the sense of power) 34.6%.

A various factor analysis (two-way ANOVA) was conducted to reveal the different senses of power, risk or gain/loss tendency of the three groups had been affecting the participants’ choices. The analysis showed that the sense of power and gain/loss situation ($F_{power}$=1.172, $P>0.05$; $F_{gain, loss}$=0.638, $P>0.05$) and their interaction ($F_{power*gain, loss}$=0.638, $P>0.05$;) does not affect the participants’ choices, according to the survey (Table 2).

<table>
<thead>
<tr>
<th>Table 2: Two-way ANOVA result</th>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>Partial Eta Squared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>3.055$^a$</td>
<td>5</td>
<td>.611</td>
<td>.969</td>
<td>.440</td>
<td>.038</td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>2871.137</td>
<td>1</td>
<td>2871.137</td>
<td>4552.354</td>
<td>.000</td>
<td>.974</td>
<td></td>
</tr>
<tr>
<td>Power</td>
<td>1.479</td>
<td>2</td>
<td>.739</td>
<td>1.172</td>
<td>.313</td>
<td>.019</td>
<td></td>
</tr>
<tr>
<td>Gain/loss</td>
<td>.533</td>
<td>1</td>
<td>.533</td>
<td>.845</td>
<td>.360</td>
<td>.007</td>
<td></td>
</tr>
<tr>
<td>power * gain/loss</td>
<td>.805</td>
<td>2</td>
<td>.403</td>
<td>.638</td>
<td>.530</td>
<td>.010</td>
<td></td>
</tr>
<tr>
<td>Error</td>
<td>76.945</td>
<td>122</td>
<td>.631</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3122.000</td>
<td>128</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>80.000</td>
<td>127</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
On the other hand, when we did various factor analysis (two-way ANOVA) to reveal if the groups who have a different sense of power and gain/loss tendency had been affecting the low-risk taking, the results showed that only the gain/loss situation ($F_{\text{gain, loss}}=2.925$, $P<0.09$, $\eta^2=0.017$) is proven to be a strong factor in choosing low risk-taking options (Table 3). Reviewing this survey, the gain frame has been indicated to have a stronger role, which supports the Prospect Theory in this case.

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>Partial Eta Squared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>6.723$^a$</td>
<td>5</td>
<td>1.345</td>
<td>1.835</td>
<td>.108</td>
<td>.050</td>
</tr>
<tr>
<td>Intercept</td>
<td>700.723</td>
<td>1</td>
<td>700.723</td>
<td>956.452</td>
<td>.000</td>
<td>.846</td>
</tr>
<tr>
<td>Power</td>
<td>.259</td>
<td>2</td>
<td>.129</td>
<td>.177</td>
<td>.838</td>
<td>.002</td>
</tr>
<tr>
<td>Gain/loss</td>
<td>2.143</td>
<td>1</td>
<td>2.143</td>
<td>2.925</td>
<td>.089</td>
<td>.017</td>
</tr>
<tr>
<td>power * gain/loss</td>
<td>5.369</td>
<td>2</td>
<td>2.684</td>
<td>3.664</td>
<td>.028</td>
<td>.040</td>
</tr>
<tr>
<td>Error</td>
<td>127.477</td>
<td>174</td>
<td>.733</td>
<td></td>
<td></td>
<td>.050</td>
</tr>
<tr>
<td>Total</td>
<td>928.000</td>
<td>180</td>
<td></td>
<td></td>
<td></td>
<td>.846</td>
</tr>
<tr>
<td>Corrected Total</td>
<td>134.200</td>
<td>179</td>
<td></td>
<td></td>
<td></td>
<td>.002</td>
</tr>
</tbody>
</table>

This result reconfirms preceding surveys indicating that a person with less power tends to be more risk-averse.
Table 4: Gain/loss tendency

<table>
<thead>
<tr>
<th></th>
<th>High-power</th>
<th>Neutral</th>
<th>Low-power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain</td>
<td>1.97±.850</td>
<td>2.32±.909</td>
<td>2.21±.777</td>
</tr>
<tr>
<td>Loss</td>
<td>2.22±.852</td>
<td>1.81±.928</td>
<td>1.79±.855</td>
</tr>
</tbody>
</table>

On the contrary, the result of the loss frame contradicts the results of the research done by Anderson and other scientists’ surveys. Thus, even though the subjects have a different sense of power in the case of gain and loss frames, they tend to be more risk-averse in the case of Mongolian respondents.

Study III

Objective

The objective of the third part of the study was to determine if power is correlated with optimism. In other words, we surveyed to establish a correlation between the sense of power and the perception of self-efficacy.

Research method

1. We used the “general sense of power” measure by Anderson, John & Keltner (2012). This measure has 8 questions and answers to 4 questions are calculated conversely. If the scale is high, the sense of power is also considered to be high.
2. An optimism test has two sections. The first section, outward optimism, relates to events outside personal life and the second section, personal optimism (inward) regards the test subject’s personal future life events, emulates the model developed by Weinstein(1980). The first part has an
assessment of death rates on potential 17 causes of death by the approximate amount each year, emulating a similar method involving 18 death-risks developed by Johnson and Tversky (1983). On this assessment, we have adopted and customized the 18 death risks, for example, by changing terrorism and an airplane crash with common diseases that are the main causes of death in Mongolia in accordance with National statistical office records. The personal optimism (inward) is defined through 16 questions and scaled from very unlikely -4 to very likely +4. If the total scale is high it means the level of optimism towards the outside world and personal life events is also high.

**Survey procedure**

After the participants are randomly selected, they are divided into two groups: one for the outward optimism test, and the other for the personal optimism test. The participants will take the optimism test after they have completed the general sense of power test.

**Survey plan:**

The independent variable is the sense of power in the two categories (high-sense of power and low-sense of power) The dependent variable will be measured on two levels for both inward and outward optimism (high-outward optimism and low-outward optimism); (high-inward optimism and low-inward optimism).

**Sample**

60 university students participated, and 55 tests were qualified for the power measure and outward optimism survey (23 male, 32 female; M_{age}=19.22, M_{d}=19). 80 university students participated in the power and inward optimism survey (14 male, 66 female;
The high-power group was comprised of 56.3% and the low-power group contained 43.8%.

Survey results

The median scale of the general power measure was 39.85. Scales lower than the median are considered to be in the low-sense of power group. On the contrary, scales equal to the median are considered as the high-sense of power group. According to the statistical analysis, there is a difference between the high-power group and the low-power group (t=9.332, P=.000).
The results of the experiment showed significant difference between the group with a higher sense of power and the group with a lower sense of power in regards to their optimism scale ($t=9.332$, $P=.000$). The group with a higher sense of power was inclined to view the outside world less optimistically, while the group with a lower sense of power tended to view the outside world more optimistically, as shown in figure 4.

The general power measure is $\alpha=0.643-0.745$ and the personal optimism is $\alpha=0.599$. When we did a regression analysis, the results were $\beta=-0.495$, $t=-0.098$, $p>0.05$. This suggests that the sense of power does not apparently affect the optimism to the outside world. In addition, when we did a correlation analysis, the result was $r_p=0.199$. This shows that there is no correlation between the two variables.

Furthermore, the statistical analysis of personal optimism showed that there is a difference between the high-power group and the low-power group ($t=10.696$, $P=.000$). When we did the regression analysis, it reached the results of $\beta=-0.803$, $t=-0.299$, $p>0.05$. This means that the sense of power does not apparently affect the heightened personal optimism.
Study IV

Objective

The previous studies show that people with power and influence tend to focus on the results and advantages of actions, with less attention to threats and risks, and thus tend to be more active and aggressive. The higher the sense of power an individual has, the more inclined he/she will be to take risks compared to people with lower influence and power. Therefore, this part of the study aims to establish any potential causal link between the sense of power and the inclination to take risks.

1. We have utilized the Gain and Loss framework that was used by Tversky and Kahneman, and Anderson (Tversky & Kahneman, 1981; Anderson, et al., 2006). The respondents were asked to make a selection out of two possible alternatives. Afterwards, they had to evaluate their confidence of their choice with a scale of 1-6. A scale of 1 was the lowest risk option while a scale of 6 was the highest risk alternative.

2. Using a behavioral activation and inhibition system developed by Carver and White (1994), we examined how the sense of power affects behavior. This system defines behavioral activation and inhibition tendency through a survey comprising of 20 questions, of which 13 questions related to behavioral activation and 5 questions related to behavioral inhibition system. Each question had a choice from “extremely unlikely” to “extremely likely” (1-5 scale). In this survey, we translated and used template questionnaires from previous experiments in the USA, Japan, and China.
Survey Plan

The independent variable is the sense of power and the first dependent variable is the two alternatives expressed in Gain and Loss frames and the second group of dependent variables is the level of BAS and BIS attitudes.

Sample

The sample covered 47 persons in relatively authoritative positions, whether evaluating others or supervising certain staffs. (Males 32, Females 15, \( M_{\text{age}} = 38.19, M_d = 36.00 \)).

Survey results

![Graphic 5: Risk-taking tendency](image)

In the gain/loss frame, 41.7% of the respondents would select the risky options in the loss frame of A Plan while 58.3% chose risky options in the loss frame of B Plan.

In further analysis through one factor ANOVA, both gain and loss frames are not influencing the choice of risky options. (\( F_{\text{gain/loss}} = 0.565, P > 0.05 \)) 44.7% of the officials under the survey made a risky choice.

And in our multi-factor analysis using two-way ANOVA, the differences in the sense of power (\( F_{\text{power}} = 0.066, P > 0.05 \)), and in the
gain or loss frame \( (F_{\text{gain, loss}}=0.969, P>0.05) \) do not singularly or through their interaction influence the preference for risky alternatives.

**Figure 6. Gain/Loss Frame**

As.

![Bar chart showing preference for risky options based on power level.](chart.png)

Figure 6, independent from the level of sense of power, shows there is a higher level of preference for less risky options.

**Table 5.**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BASR</td>
<td>47</td>
<td>5.00</td>
<td>20.00</td>
<td>16.3830</td>
<td>2.55847</td>
</tr>
<tr>
<td>BASD</td>
<td>47</td>
<td>7.00</td>
<td>19.00</td>
<td>14.3404</td>
<td>2.55612</td>
</tr>
<tr>
<td>BASF</td>
<td>47</td>
<td>9.00</td>
<td>19.00</td>
<td>13.8936</td>
<td>2.26729</td>
</tr>
<tr>
<td>BIS</td>
<td>47</td>
<td>5.00</td>
<td>20.00</td>
<td>14.1702</td>
<td>3.47237</td>
</tr>
<tr>
<td>BAS</td>
<td>47</td>
<td>35.00</td>
<td>58.00</td>
<td>48.0213</td>
<td>4.98907</td>
</tr>
</tbody>
</table>

As for the persons with power, they tend to show higher behavioral activation for rewards. When they expect a reward, they have an especially high proclivity towards certain actions.

A comparison between the persons on supervisory positions and people without such power positions yields the following results.
It has been statistically proven that there is a definite difference among the people with and without power regarding their behavioral activation preference. (Table 6). In other words, people with lower power have shown to have more behavioral activation attitude in contrast to the persons on supervisory positions. Moreover, persons in supervisory positions tend to inhibit their behavior more. (Table 7).

### Table 6

<table>
<thead>
<tr>
<th></th>
<th>BASR</th>
<th>BASD</th>
<th>BASF</th>
<th>BIS</th>
<th>BAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mann-Whitney U</td>
<td>11.500</td>
<td>414.000</td>
<td>351.000</td>
<td>396.500</td>
<td>581.500</td>
</tr>
<tr>
<td>Wilcoxon W</td>
<td>1139.500</td>
<td>1542.000</td>
<td>1479.000</td>
<td>1524.500</td>
<td>1709.500</td>
</tr>
<tr>
<td>Z</td>
<td>-7.033</td>
<td>-2.533</td>
<td>-3.220</td>
<td>-2.684</td>
<td>-.597</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.000</td>
<td>.011</td>
<td>.001</td>
<td>.007</td>
<td>.550</td>
</tr>
</tbody>
</table>

### Table 7

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
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</thead>
<tbody>
<tr>
<td>BASR</td>
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<td></td>
</tr>
<tr>
<td>high power</td>
<td>11.7021</td>
<td>2.13577</td>
</tr>
<tr>
<td>low power</td>
<td>18.1481</td>
<td>1.68029</td>
</tr>
<tr>
<td>BASD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>high power</td>
<td>7.1702</td>
<td>1.59236</td>
</tr>
<tr>
<td>low power</td>
<td>8.1481</td>
<td>1.19948</td>
</tr>
<tr>
<td>BASF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>high power</td>
<td>9.6596</td>
<td>2.06710</td>
</tr>
<tr>
<td>low power</td>
<td>11.2963</td>
<td>1.72793</td>
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<td></td>
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<tr>
<td>high power</td>
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<td>3.47237</td>
</tr>
<tr>
<td>low power</td>
<td>16.8889</td>
<td>4.09815</td>
</tr>
<tr>
<td>BAS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>high power</td>
<td>32.0638</td>
<td>4.41048</td>
</tr>
<tr>
<td>low power</td>
<td>32.6667</td>
<td>3.41940</td>
</tr>
</tbody>
</table>
Comparison

Research result in China:

The in western cultures where there is greater emphasis upon the concept of “self”, individuals focuses more on the opportunities beneficial for the “self” rather than on cooperation. Anderson also suggested that if someone’s sense of power is correlated with a high sense of responsibility, then that individual is less likely to take risks even though they have a high sense of power.

1. The results of BIS/BAS surveys show that people with higher power have a lower inhibition of their behavior when it comes to acting to achieve what is needed compared to the people with lower power. This finding is similar to the results of Anderson and Galinsky’s research in 2006.

Research results in Japan

1. The research sample included 86 respondents in total: 63 males and 23 females. The average age of the sample was 30.88 (SD=9.086, Me=28), and the average working years was 7.16 years. Research results indicate that people with a higher sense of power and influence are inclined to choose more risk-taking alternatives than people with a lower sense of power. This difference in proclivity to risky actions is similar to the results of the research done by Anderson. Nonetheless, this does not, however, mean that powerful people are bluntly inclined to more risk-taking, but rather the research shows that they tend to consider the issues from various perspectives and calculate various factors when making decisions. Moreover, one interesting finding of the research was that people with a lower sense of power tended to choose medium risk options instead of the lowest risk alternatives.
2. Individuals with a higher sense of power tend to be more confident and more action oriented, as results have shown. On the contrary, individuals with weaker sense of power tend to be more defensive and cautious. This is also shown in cases of instant decision-making due to the emotional motives of the higher officials within the organization.

3. The research findings also prove that high sense of power helps build more self-confidence and that powerful people are proven to have certain beliefs and methods.

4. The exercise of power by powerful people seems to be constrained due to considerations of the groups or organizations within their society, whereas the exercise of power can be freer outside an organization. This finding correlates to the consideration of a sense of responsibility (Anderson 2006), which also has a curbing effect on the risk-taking decision-making.

5. Moreover, the features of decision-making by the powerful within an organization (group) may differ in western and eastern cultures due to the concept of “self”, regional context, and cultural factors. This difference is called “power distance”. According to the research of Torelli and Shavitt (2010), due to the above-mentioned factors, the perceptions of power are divided into two categories: personalized and socialized power. Also, according to other research (van Dyne and Pierce, 2004), the decision-making is largely influenced by how the decision-maker owns the problem, whether it is his/her personal issue or his/her group’s issue. As research has established, if the powerful people view the issues as his/her personal issue, they tend to make decisions for the common interest. On the contrary, if they view it as someone else’s issue, they tend to be passive, ignorant, and make improper decisions.
Analysis of comparison (Table 8)

Table 8.

<table>
<thead>
<tr>
<th>Correlations</th>
<th>USA</th>
<th>JAPAN</th>
<th>CHINA</th>
<th>MONGOLIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>POWER-BAS/BIS</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>POWER-OPTIMISM</td>
<td>YES</td>
<td>YES FOR SELF-CONFIDENCE Not studied</td>
<td>Not studied</td>
<td>YES FOR SELF-CONFIDENCE NO FOR EXTERNAL EVENTS</td>
</tr>
<tr>
<td>POWER-RISKY DECISION</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>ATTENUATING EFFECT OF RESPONSIBILITY FOR RISKY DECISION</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>Not studied</td>
</tr>
</tbody>
</table>

Our research shows when there is a lower sense of power, there is a higher tendency to focus on gain frame. This result does not fit with that of Anderson’s research, where a higher sense of power correlated with more risky decisions. As suggested by research in Japan, this discrepancy between the results of the two studies can be explained by the difference of western and eastern cultures. Thus, even though there is a difference in the sense of power, the risk-taking tendency was not dissimilar. However, in the case of Japanese research, persons with a higher sense of power are as equally inclined to make risky decisions as they are in the case of research in USA. This does not contribute to the cultural
interpretation focusing on the difference of western and eastern cultures. Nevertheless, it is possible to propose a new explanation that the USA and Japan are both countries with advanced capitalism where individual creativity, productivity and risky courses of action, with necessary calculations, are encouraged; while Mongolia and China are both newly emerging market economies that still have a strong legacy of command economy and totalitarian regime. For example, Anderson mentioned that major U.S. companies offer higher pay and bonuses for its CEOs in order to encourage their independence and their corporate power in decision-making.

**Conclusion**

The more power someone has, the more he/she tends to pursue rewards and needs without inhibiting his/her own behavior and gets satisfaction from what he/she acquired. On the contrary, the survey shows that the less power someone has, the more he/she tends to inhibit his/her own behavior. This supports the study by Lammers, Smith, and Bargh, to some extent.

Briefly, it is possible to say that the more powerful a person is, the stronger their attitude in the Behavioral Activation System and, on the contrary, the less powerful a person, the stronger the behavioral inhibition system. This can also be proven from the other side, implying that more active, assertive people tend to more successful and reach more powerful positions. In addition, higher sense of power also influences an individual to be more active and focus on results, and this affects their sense of power, in its turn making these two variables mutually correlated. However, it is still too early to conclude which one is more the predominant influence.

Moreover, in his research conclusion, Anderson stated that a sense of responsibility, which is a perception that his/her decisions may have an effect upon others, has attenuating effects upon the
risky choices of powerful persons. Similar effects have been shown by the perception of stability in the power position. In other words, if the persons with a high sense of power believe that they could lose their power at any time, they are inclined to choose less risky alternatives (Keltner et.al. 2003). Especially in the case of Mongolia, and among the public officials who participated in our research, this feeling may have influenced the results significantly. The uncertainty and instability of public servants in their positions has been a pervasive problem because of the inappropriate penetration of partisan politics into the public administration, causing frequent changes and abrupt overhauls of government policies in every sphere in the recent decade.

In accordance with this survey, outer optimism and personal optimism are not correlated to the sense of power. This finding differs from other studies. Thus, the survey reaches the conclusion that when someone has more power, he/she will thrive to seize opportunities and gain satisfaction, whereas when someone has less power, he/she tends to gain tendency. Nonetheless, it is important to consider the sense of responsibility and stability of the power position, as it is indicated one of the mediating factors as well.

In Study IV, we involved persons who were currently holding supervisory positions and the majority of them chose less risky alternatives, as shown in our research findings. From this, we can conclude that respondents who represented powerful people are bound by responsibilities for their organization and their employees, and are not inclined to make risky decisions. Perhaps, this may have to do with political appointment, nepotistic appointment, or the more centralized power structure of a given organization. This research is an initial part of the long-term research initiative that, perhaps for the first time, attempts to utilize research methods that have been used in the USA, PRC, and Japan for the Mongolian respondents. It is recognized that there might have been some
errors or mistakes in translating and customizing the tests and questionnaires into the Mongolian language, mentality, and culture.

The overall goal of this research was to prove the hypothesis that persons with a higher sense of power tend to be more optimistic and in their actions and decisions. In addition, they give greater focus on the results and gains rather than the threats and risks related to the decision, and thus, people with a higher sense of power are more inclined to make risky decisions.

Within the framework of our research, we can say that our hypothesis, in general, was proven. However, the methods of measuring the sense of responsibility, perception of stability, and power position may need further consideration. It is also important to further examine the current political, administrative, and cultural context of Mongolia to identify distinct local features that may affect responses. Therefore, more studies must be conducted before the whole research initiative can be considered complete. The causal link between the sense of power, optimism and risky choices must also be clarified. Once this is done, we would do similar tests and analyses like Anderson, in order to clarify the reasons why powerful individuals tend to act in a risky manner.

According to some, this is one way to guarantee and maintain a powerful position. For example, through performing risky actions, a group leader may be sending a signal to other potential contenders that he/she is capable to withstand the risk of the decision. As mentioned by Anderson, the evolutionary theory also purports that the alpha male of the herd is also sending signals to show off his power to potential mates.

This would help us better understand some of the mysterious decisions that may be considered irrational but played a crucial role in historical events, such as why Hitler decided to invade Soviet Union in the middle of their war against France and the UK, why Japan started a war with the USA, etc.
Moreover, another interesting course of this research would be to continue Keltner’s suggestion and study how power has a corrupting effect upon the individuals who are exercising it (2017).

In conclusion, it is certain that power is a moving force in social relationships, and it is ubiquitous in social settings. In addition, depending on the position of individuals vis-à-vis this power, it has a great impact upon the psyche, world view, and problem-solving approach of individuals.

References:
Detecting Herding in Confucian Stock Markets: An Event Approach

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(Mongolia)
Massoud MOSLEHPOUR
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Abstract

**Purpose:** The purpose of this study is to investigate the insights of herding behavior among Confucian markets.

**Methodology and data:** The foundation of the empirical models of this study is based on return dispersion methods developed by Chang, Cheng, and Khorana (2000), Tan, Chiang, Mason, and Nelling (2008), and others.

This study investigates herding behavior by using index returns and stock return data of seven Asian economies (mainland China, Hong Kong, Japan, South Korea, Taiwan, Singapore, and Vietnam) that practice Confucian culture. In addition, we evaluated the Chinese New Year effect on herding tendency. The sample data time range is between January 01, 1999 to January 01, 2015. The main source of our sample data is the Datastream database.

**Findings:** This study demonstrates significant herding behavior not only in general market condition, but also in rising and falling markets. Furthermore, it identified
significant effects from the Chinese New Year on herding tendency.

**Contribution:** This study contributes to the literature by providing evidence of herding behavior in markets that practice Confucian culture. We find that Confucian culture has a significant positive effect on the formation of herding behavior among investors in equity markets. Our findings indicate that there is a linkage between herding behavior and Confucian culture.

**Keywords:** Herding behavior, Herding tendency, Confucian markets, Chinese New Year effect.

**Introduction**

It is difficult to precisely define herding. Generally, it is a correlated behavioral pattern across individuals. Theoretically, herding behavior is a human behavior that mimics the behavior and actions of other people. Studies point out that herding behavior can be both rational and irrational. Furthermore, studies classify herding into several types such as information-based herding, reputation-based herding, and compensation-based herding, as well as spurious herding in accordance to its motive. The sequential decision theory suggests that traders reference the decisions of other investors to make their decision. According to each investor, this is rational, because decisions made by other traders might include some important aspects for the trader. Thus, one can claim that herding is rational (Chang, Cheng, & Khorana, 2000; Chang, Wong, & Koh, 2003; Fong, Wong, & Lean, 2005).

**Research argument**

Some studies discuss other reasons that may cause herding behavior in equity markets. Economou, Kostakis, and Philippas...
(2011) examine Portuguese, Spanish, Italian, and Greek markets to check herding effects. They were able to investigate herding in markets of Greece and Italy, but they do not find herding in Spanish and Portuguese markets. Mobarek, Mollah, and Keasey (2014) tested stock markets of eleven European countries by dividing the sample into three categories – Continental, PIIGS, and Nordic. They discovered no herding during normal periods, however, they found herding during extreme market situations. This is due to the fact that Nordic markets were largely influenced by the Eurozone crisis, whereas Continental and the PIIGS were more affected by the global financial crisis 2008. Nevertheless, these studies investigate herding in the cross-country dimension. The rationale behind herding was not the same throughout the markets even though they were all European markets. The findings of these studies suggest that there could be another reason for herding, and the most probable reason is culture.

Thus, the above papers not only demonstrate the existence of herding behavior, but also find that markets exhibit dissimilar behavior to the same events. It is a well-established argument that western markets are more mature and individualistic, thus, they would hardly display herding. However, this is not so. Now it is obvious that even advanced markets herd, and more interestingly, cultural aspects may play an important role in herding, aside from market sentiments. Results of Economou et al. (2011) and Mobarek et al. (2014) discuss that cultural matters in herding, nevertheless, the question of “why” is left open.

Moreover, Siegel, Licht, and Schwartz (2011) investigated the negative correlation between egalitarianism distance and international portfolio distribution. Aggarwal, Kearney, and Lucey (2012) found that the facets of culture have the potential to promote foreign portfolio management. Ferris, Jayaraman, and Sabherwal (2013) discovered that overconfidence among traders rises and falls
with individualism and long-term orientation behavior. Holderness (2009) demonstrated the existence of reciprocity among culture and ownership concentration of public firms.

Moreover, culture may also be correlated with the aggregate economy. Several studies examine whether national culture impacts economic growth. Chow, Shields, and Chan (1991) demonstrated the significant effect of individualism of workers on manufacturing performance. Li, Griffin, Yue, and Zhao (2013) found a significant positive relationship between national income and individualism and uncertainty avoidance. Xue and Cheng (2013) argue that culture and debt markets are correlated.

Thus, many studies demonstrate that culture has a direct impact on the decision making of investors and has an indirect influence on the aggregate economic process. Thus, we assume that cultural setting may influence the formation of herding tendency among traders. Furthermore, the formation of herding tendency leads to herding behavior. Although studies demonstrate that culture directly affects the decision-making of investors, the actual reason why culture does so is still unclear. Yet, the following two papers present significant insights.

Chang and Lin (2015) examined herding behavior in 50 international stock markets that represent various geographical regions. They employed the Hofstede cultural index approach with the return dispersion method. Surprisingly, they mostly found herding behavior among Confucian markets. This paper discusses that people under the influence of Confucian culture display the acceptance of unequal power distribution and the clear distinction between gender roles. Otherwise, investors in Confucian stock markets emphasize public morality and tend to follow the decision made by others. This influences the decision-making of investors, as well as shapes their reaction to a certain informational shock.
Therefore, Confucian culture may cause investors to exhibit herding behavior (Chiang, Jeon, & Li, 2007).

The results of their study are in line with the outcomes of Beckmann, Menkhoff, and Suto (2008). Arguing that cultural distinctions interpret into different investment behavior, Beckmann et al. (2008) examine different cultured countries (Japan, Thailand, U.S., and Germany) by employing Hofstede`s approach. They find a significant correlation between cultural dimensions of *individualism* and *power distance* and herding behavior. They discuss that asset managers in less individualistic markets display a high degree of herding. Moreover, the seniority dimension is closely related to high power distance. In societies with high power distance, age has a deep, conservative impact on investment behavior, such as risk-taking and portfolio allocation. The findings of Beckmann et al. (2008) are in favor of this theory in that higher age positively influences the formation of herding tendency. Furthermore, they assert that high power distance societies prefer older managers for promotion. More than half of their sample is from Japan, which is also a Confucian society.

The above two studies have some common sides. First, both of them test cultural impacts on herding. Second, their sample includes Confucian markets. Third, the research approach is the same. Finally, they present similar results. In short, Chang and Lin (2015) theorized that markets that exercise Confucian culture are inclined to display high power distance, low individualism, and high masculinity, which appear to be the stepping-stones to the formation of herding tendency. While Beckmann et al. (2008) argued that high power distance and low individualistic markets have a high probability to exhibit herding behavior.

Therefore, the empirical evidence of these studies encourages us to make the next assumption: Confucian culture positively influences the formation of herding tendency among stock market
traders. Why it affects the formation of herding tendency is a very interesting question. Therefore, the following section discusses Confucian culture and managerial decision-making.

**Confucian culture and decision-making**

The core of Confucian culture is a system that emphasizes the importance of hard work, loyalty, learning, and obedience. In this culture, individuals are not considered as important as a group. Thus, this philosophy praises that a person should honor first his/her duty to family and society. Otherwise, personal needs should be sacrificed for the sake of a group`s welfare. Likewise, it helps to build the mindset of managers with a great emphasis on collectivism and teamwork. Thus, Chinese managers avoid displaying subjective behavior when they confront challenging situations. Rather, they follow collective behavior. Confucian management culture differs from western culture to a large extent (Buttery & Leung, 1998; Chang et al., 2003).

There are two main theories in Confucianism are *guanxi* and *mianzi*. *Guanxi* can be interpreted as “relationship” or *networking*. Sometimes *guanxi* is very complicated for both the members and non-members of the network. The problem is that it usually requires obligations or indebtedness, a mechanism of favors and debts among members in the network, which itself is based on relationships governed by Confucian teachings (Buttery & Leung, 1998; Chang et al., 2003; Foo, Wong, & Chong, 2008; Wu, 2013 Luo, 1997). *Mianzi*, which literally means face, conveys the meaning of displaying respect for one’s social status. In order to maintain face, an individual must stay trustworthy and honor obligations in relationship. Sometimes, it is more important to offer face to people than to protect one’s own face. Offering favors to others exhibits that one has responsibility beyond one’s peers, and thus gains respect in return from others. Contrary, losing face is a failure in reputation,
as well as an indication of a shortage of trust. Thus, subordinates are suggested to do their best to give face by asking favors from others. In Confucian culture, *guanxi* and *mianzi* are two sides of the same coin, they are indispensable (Luo, 1997; Buttery & Leung, 1998; Su & Littlefield, 2001).

This study assumes that Confucian culture has a positive influence on the formation of herding behavior in Confucian stock markets. The main Confucian culture regions are *China, Taiwan, Hong Kong, South Korea, Japan,* and *Vietnam,* as well as territories settled by the *Chinese people,* such as *Singapore.* Therefore, investors of these societies have a high likelihood to exhibit herding behavior.

**Literature review**

Chang, Cheng, and Khorana (2000) tested the herding behavior in equity markets of the U.S., Hong Kong, Japan, South Korea, and Taiwan by using daily stock price data. They employed a revised version of the return dispersion measure of Christie and Huang (1995). They found no herding from markets of the U.S. and Hong Kong, and some herding from Japan. Nevertheless, they observed significant herding from South Korea and Taiwan.

Using the Chang et al. (2000) model Tan, Chiang, Mason, and Nelling (2008) investigated herding behavior in Chinese A shares. Furthermore, they checked the asymmetric effects of herding behavior by using the market index, trading volume, and volatility. They examined herding behavior from the Shanghai A-share market during up-market conditions with a high trading volume of stocks and volatility. However, they found no significant evidence of herding in B shares. The main traders of the A-share market are local investors with a shortage of financial literacy. While traders in the B-shares market consist of mostly international investors who have more investment skills than those who are in the A-share.
market. Thus, they argue that the discrepancies of investors of A and B-share markets may influence the varying degree of herding behavior in each market.

Demirer, Kutan, and Chen (2010) tested herding behavior by employing daily stock return and index return data on the Christie and Huang (1995) model and the Chang et al. (2000) model. The results of their study showed no herding in the Christie and Huang (1995) model, they observed significant herding in Chang et al. (2000) model. Also, their findings exhibit that the magnitude of herding is stronger during down markets. Thus, this paper suggests that investors need more diversified opportunities, specifically during periods of market losses.

Yao, Ma, and He (2014) also tested herding behavior in Chinese A and B markets. They applied daily and weekly stock price and index price data to a modified version of the Christie and Huang (1995) and Chang et al. (2000) models. They found that the degree of herding is heterogeneous, namely, herding is stronger in the B-share markets. They also discovered that herding is stronger during declining markets.

By using market and stock return data with the Chang et al. (2000) approach, Chang and Lin (2015) tested herding behavior among 50 stock markets. Furthermore, to measure the impacts of national culture on herding tendency, they used the Hofstede (2001) culture index. They found that herding was stronger among Confucian and less sophisticated markets. The findings of this study show that some national culture indexes are highly correlated with herding behavior.

**Chinese New Year and investment behavior**

Since our research is going to examine herding behavior in Confucian markets, an evaluation of how properties of Confucian culture affect the formation of herding behavior is essential. There
are many properties in Confucian culture, such as events, language, food, morals, ethics, and so on. However, we choose to conduct an event study to test the cultural effect on investment behavior. There are also many events in this culture, but the biggest one is the Chinese New Year (CNY). Due to its importance, the CNY has been widely studied by academicians. Thus, this study references the following empirical literature to establish a theoretical basis for our analysis. These studies examined the impacts of CNY on investors’ behavior in stock markets.

Mitchell and Ong (2006) measured the effects of calendar anomalies on returns of the Chinese A and B stock shares by using daily data of stock price return, volatility, and market liquidity with a time range from December 1990 to December 2002. They found that both cultural and structural factors appear to be key influencing factors on stock prices. They also found evidence of a February turn-of-the-year effect and a holiday effect, which were stronger and more persistent compared with the other public holidays. These two effects directly related to the CNY event. The segmentation between the two markets is apparent in the day-of-the-week effect, where B markets tend to post significant negative returns on Tuesdays, corresponding with overnight developments in the United States, while significant negative returns are observed on Mondays in the A markets.

Abidin, Banchit, Sun, and Tian (2012) examined the CNY effect on Asia-Pacific stock markets by using daily stock market indices of seven Asia-Pacific countries: Hong Kong, Japan, Malaysia, Singapore, Taiwan, South Korea, and New Zealand, with a time period from January 1992 to October 2011. The study employed multiple regression analysis. Results of this study found that a significant pre-holiday effect exists in Hong Kong, Japan, Singapore, Malaysia, and Taiwan whereas South Korea and New Zealand do not have significant CNY pre-holiday effects.
Many studies found substantial evidence of pre-holiday positive returns in stocks in both developed and emerging stock markets. Thus, Wu (2013) examined the CNY holiday effect by using a dataset of Chinese stocks traded in the U.S., in the form of American Depositary Receipts, which allowed the authors to test the CNY effect. Data in this study have a time period from 1993 to 2011. They calculated the average daily returns in the following three event windows: seven days prior to the CNY, during CNY, and 7 days after the CNY. The results of this study found a positive CNY effect; however, the effect becomes statistically insignificant once the U.S. market returns are adjusted. Moreover, the Chinese stocks have significantly higher mean returns in the pre-CNY period, but lower average returns in the post-CNY week than the rest of the year. Finally, this study found the monthly effect of Chinese stocks.

Teng and Liu (2013) examined the pre-holiday effect (NY eve, CNY, Tomb Sweeping Day, Dragon Boat Festival, Mid-Autumn Festival, and National Day) and positive emotion in the Taiwan stock market by using daily stock return data and market return data of TAIEX with a time period from 1971 to 2011. The results of this study found that the average return of TAIEX during the pre-holiday period was statistically significantly higher than the mean non-pre-holiday return. Also, the pre-holiday event offers a return that alters from that of non-pre-holidays in an economically significant way. Moreover, this study discussed that the high return on pre-holidays was not attributable to risk, other calendar anomalies, or macroeconomic factors. Finally, the pre-holiday effect was related to proxies for positive behavioral attitudes among traders. The authors summarized that the findings of this study were consistent with the positive emotion and the pre-holiday effect hypothesis.

Yuan and Gupta (2014) studied the CNY effect in Asian stock markets by using daily market index prices for seven Asian
economies: Shanghai Composite Index China, Hang Seng Index for Hong Kong, NIKKEI 225 for Japan, Straits Times Index for Singapore, KOSPI Composite Index for South Korea, FTSE Bursa Malaysia KLCI for Malaysia, and TSEC Weighted Index for Taiwan, with a time period from September 1999 to March 2012. As well, this study used the Indian stock market index CNX Nifty for robustness purposes. This paper employs an ARMA (1,1)-GARCH (1,1) model to investigate the stock returns before and after the CNY. The results of this study found that most of the markets in the sample (China, Hong Kong, Japan, Malaysia, South Korea, and Taiwan) were affected by the CNY event. In robustness measuring, the CNY effect was also found in the Indian stock market. According to their findings, the exception was that high pre-CNY returns for China were rewards for high risk, whereas, for the other markets, high returns were caused by unknown factors, other than the conditional risk.

In summary, the results of these studies do show a significant positive effect of CNY on stock market performance and investment behavior. Interestingly, some of them found a pre-CNY effect on stock market performance while others found a post-CNY effect. The common factor among these studies is they all used stock and equity returns in their empirical testing. Thus, we conclude that it is better to test both the pre and post time periods of CNY to find the behavioral pattern of investors.

Hypothesis development

Development of hypothesis one

Factors that may induce herding behavior include a high degree of government involvement in equity markets and heavy intervention of a central bank in the adjustment of interest rates, etc. The influence of Confucian culture in the formation of herding
behavior is believed to be most important in Confucian countries. *Guanxi* and *Mianzi* are the core factors in managerial decision making in Confucian countries. Academics believe that these factors are the crucial determinants that recently enabled China to become one of the strongest markets. Based on the Confucian management theory, a network of cooperation and friendship makes the stock market in China well-established. Thus, the first market economy in history is in China (Flynn & Giráldez, 1995; Deng, 1999; Hobson, 2004).

It is apparent that Confucian philosophy is one of the most powerful management philosophies that influence the decision-making process of managers. Some studies examine herding behavior, see, for example, Christie and Huang (1995), Chang et al. (2000), Tan et al., 2008, Economou et al. (2011), Yao et al. (2014), and Chang and Lin (2015). However, there are many studies that analyze stock markets in Confucian countries, such as Wong, Penm, Terrel, and Lim (2004), Chiang et al. (2007), Zheng, Chen, and Wong (2009); Qiao, Clark, and Wong (2012), and Clark, Qiao, and Wong (2016). Yet, there has not been a study that examines herding behavior in terms of Confucian cultural aspects. Thus, our study bridges the gap in the literature and sets up the following hypothesis to test whether there is any herding behavior in Confucian countries:

**Hypothesis 1:** Herding behavior exists in a Confucian market.

**Development of hypothesis two**

It is well known that stock returns behave differently in bull runs and bear markets, see, for example, Pagan and Sossounov (2003) and Brown and Cliff (2004). Some studies have also found that herding behavior changes in bull runs and bear markets, see, for example, Mobarek et al. (2014).
It is well known that the fear of the potential loss when the market crashes is larger than the pleasure of potential gain when the market is booming (Abolafia and Kilduff, 1988). McQueen, Pinegar, and Thorley (1996) claim that this is because, while all stocks tend to respond quickly to negative macroeconomic news, small stocks tend to exhibit a delay in reacting to positive macroeconomic news. Since good macroeconomic news often entails an increase in stock prices, the slow reaction implies a postponement in the incorporation of good news into the prices of small stocks. Thus, herding behavior is expected to be more pronounced when a market is falling than when it is rising (Yao et al., 2014; Mobarek et al., 2014) and we hypothesize that investors have a greater tendency to herd in downward markets than in upward markets, as stated in the following hypothesis:

**Hypothesis 2:** Asymmetric herding behavior exists in the Confucian stock market during up and down market conditions.

**Development of hypothesis three**

The CNY traditionally symbolizes a fresh start, not only for the year, but also for investments and businesses. CNY is the most important traditional festival in China. It is different from the common concept of the turn-of-the-year, (around December to January) in that CNY falls on different dates each year. It also has a great cultural influence on most countries in Eastern Asia. Significant impacts of such a cultural-based holiday on stock markets may imply that cultural factor does matter for stock pricing. This is not only important for investors seeking excess returns and risk exposure in these emerging stock markets in the Asian region, but also for academic researchers. Studies discuss that stock returns on the days preceding holidays tend to be abnormally higher than those of other trading days.
Mitchell and Ong (2006) found evidence of a February turn-of-the-year effect. The lack of a January effect and the semblance of a February effect suggest that the “turn-of-the-year” for China stock markets may occur during the CNY. Additionally, they found that returns in the post-holiday period after CNY tend to be positive, which is consistent with the cultural explanation and the focus on the turn-of-the-year.

Moreover, the following studies found a pre-CNY effect in stock returns. Abidin et al. (2012) found evidence of a significant pre-holiday effect from stock markets of Hong Kong, Japan, Singapore, Malaysia, and Taiwan. Wu (2013) found a positive holiday effect during the CNY festival. The author discussed that the Chinese stocks have significantly higher average daily returns in the week prior to the festival, but lower average returns in the week after the festival when compared to the rest of the year. Teng and Liu (2013) found significant evidence of a pre-holiday effect from the stock market of Taiwan. Among the pre-holiday effects of New Year, CNY, Tomb Sweeping Day, Dragon Boat Festival, Mid-Autumn Festival, and National Day, the effect of CNY was the highest. Yuan and Gupta (2014) found a significantly positive pre-CNY holiday effect from stock markets of China, Hong Kong, Japan, Malaysia, South Korea, and Taiwan. Overall, CNY is the biggest and most influential event in Confucian societies. The effects of this event cover all aspects of life, including investment and business. Thus, we develop the following hypothesis to test the relationship between CNY and formation of herding tendency:

**Hypothesis 3:** A certain type of CNY effect exists on the behavior and formation of herding tendency among Confucian markets.
Methodology

Data

This study uses daily market returns and stock returns of 13 markets in seven Asian economies (China: Shanghai Stock Exchange A (SHA) and B (SHB) indexes, Shenzhen Stock Exchange A (SZA) and B (SZB) indexes, Hong Kong: Hong Kong Stock Exchange Hang Seng index (HSI); Japan: Tokyo Stock Exchange NIK225 and TOPIX indexes; South Korea: Korea Exchange KOSDAQ and KOSPI indexes; Singapore: Singapore Exchange Straits Times Index (STI); Taiwan: Taiwan Stock Exchange TAIEX index; and Vietnam: Hanoi Stock Exchange HNX index and Ho Chi Minh City Stock Exchange VNINDEX index) with a time period from January 01, 1999 to December 31, 2014. The data is obtained from Thomson Reuters Datastream database. We use equally-weighted market index price along with discrete returns of individual stocks.

Methodology

The return dispersion method is a widely used approach among herding studies. Thus, it appears to be a reliable method to measure herding behavior. In the following subsections, we discuss several of the return dispersion models that we used in this study.

Christie and Huang (1995), and Chang et al. (2000) used individual stock returns and a market return to detect herding behavior. Christie and Huang (1995) propose the following model to detect herding behavior:

\[ CSSD_t = \alpha + \beta^L D^L_t + \beta^U D^U_t + \epsilon_t \]  \hspace{1cm} (1)

where
\[ CSSD_t = \sqrt{\frac{\sum_{i=1}^{N}(R_{i,t} - R_{m,t})^2}{N-1}} \]

is cross-sectional standard deviation at time \( t \); \( D_t^L \) is a dummy variable at time \( t \) taking a value of 1 when market return at time \( t \) lies in the extreme lower tail of the return distribution, and 0 otherwise; \( D_t^U \) is a dummy variable at time \( t \) taking value of 1 when market return at time \( t \) lies in the extreme upper tail of the return distribution, and 0 otherwise; \( \alpha \) is an intercept, \( \beta^L \) and \( \beta^U \) are coefficients of \( D_t^L \) and \( D_t^U \), respectively, \( \varepsilon_t \) is error term at time \( t \). \( N \) is the number of firms in the portfolio; and \( R_{i,t} \) and \( R_{m,t} \) are individual stock returns of stock \( i \) and market return at time \( t \), respectively. This model suggests that if herding occurs when market return lies in the extreme lower tail of the return distribution, then \( \beta^L \) will be significantly negative. On the other hand, if herding occurs when market return lies in the extreme upper tail of the return distribution, then \( \beta^U \) will be significantly negative.

One of the challenges associated with the approach described above is that it requires the definition of extreme returns. Christie and Huang (1996) note that this definition is arbitrary, and they use values of one percent and five percent as the cut-off points to identify the upper and lower tails of the return distribution. In practice, investors may differ in their opinion as to what constitutes an extreme return, and the characteristics of the return distribution may change over time. In addition, herding behavior may occur to some extent over the entire return distribution, but become more pronounced during periods of market stress, and the Christie and Huang (1996) method captures herding only during periods of extreme returns.

An alternative to the Christie and Huang (1996) test for herding is that of Chang et al. (2000). They examined several international
stock markets and found no evidence of herding in developed markets, such as the U.S. and Hong Kong. However, they do find evidence of herding in the emerging markets of South Korea and Taiwan. Chang et al. (2000) note that the Christie and Huang (1996) approach is a more stringent test, which requires “a far greater magnitude of non-linearity” to find evidence of herding.

The herding test of Chang et al. (2000) facilitates the detection of herding over the entire distribution of market return with the following specification:

\[
CSAD_t = \alpha + \gamma_1 |R_{m,t}| + \gamma_2 (R_{m,t})^2 + \epsilon_t \quad (2)
\]

The left-hand-side variable, \(CSAD_t\), is a measure of return dispersion, which is measured by the cross-sectional absolute deviation:

\[
CSAD_t = \frac{1}{N} \sum_{i=1}^{N} |R_{i,t} - R_{m,t}|
\]

is the cross-sectional absolute deviation at time \(t\), a measure of average absolute return dispersion from \(R_{m,t}\) where \(|R_{m,t}|\) and \(R_{i,t}\) are the absolute value of market return and an individual stock return of stock \(i\) at time \(t\), respectively. In this paper, using the cross-sectional absolute deviation of returns \(CSAD_t\) as the measure of dispersion, we demonstrate that rational asset pricing models predict not only that equity return dispersions are an increasing function of the market return but also that the relationship is linear. If market participants tend to follow aggregate market behavior and ignore their own priors during periods of large average price movements, then the linear and increasing relationship between
dispersion and market return will no longer hold. Instead, the relationship can become non-linearly increasing or even decreasing. Our empirical model builds on this intuition.

Chang et al. (2000) note that rational asset pricing models imply a linear relationship between the dispersion in individual asset returns and the return on the market portfolio. As the absolute value of the market return increases, so should the dispersion in individual asset returns. During periods of relatively large market price movements, investors tend to suppress their private information and react in a more uniform manner, exhibiting herding behavior. This behavior is likely to increase the correlation among asset returns, and the corresponding dispersion among returns will decrease, or at least increase at a less-than-proportional rate with the market return. For this reason, a nonlinear market return, $(R_{m,t})^2$ is included in the test equation, and a significantly negative coefficient $\gamma_2$ in the empirical test would be consistent with the occurrence of herding behavior.

**Measuring herding behavior**

Our measure of the return dispersion, $CSAD_t$, differs from that of Chang et al. (2000) for two reasons. First, their measure relies on the accuracy of the specification of a single market factor of the CAPM, which may be questionable. We follow the method used by Christie and Huang (1995), Gleason, Mathur, and Peterson (2004), and Tan et al. (2008) which does not require the estimation of beta. Second, the Chang et al. (2000) measure assumes that risk does not vary over time, and the characterization of time-varying risk requires the specification of an appropriate time window over which to measure risk. In practice, the length of this time window is arbitrary.
In an empirical examination of the first hypothesis, this study uses Equation (3). Equations (2) and (3) are nearly the same, except in Equation (3) the idea of multiple markets is infused.

$$CSAD_{i,t} = \alpha + \gamma_1 |R_{i,m,t}| + \gamma_2 (R_{i,m,t})^2 + \varepsilon_{i,t} \quad (3)$$

where $CSAD_{i,t}$ is the return dispersion of market $i$ at time $t$, $\alpha$ is an intercept, $|R_{i,m,t}|$ is the absolute value of the market return of market $i$ at time $t$, $(R_{i,m,t})^2$ is the squared value of the market return of market $i$ at time $t$, $\varepsilon_{i,t}$ is the error term of market $i$ at time $t$. $CSAD_{i,t}$ for each market is calculated according to Equation (2). A statistically significant and negative coefficient $\gamma_2$ would indicate the presence of herding behavior.

In short, we confirm Hypothesis 1, that herding behaviour exists in a Confucian market, holds true if $\gamma_2$ in Equation (3) is significantly different from zero. Chang et al. (2000) have shown that when $\gamma_1$ reaches a certain value, $CSAD_t$ starts to decrease, or at least increase at a less-than-proportional rate with the market return because there is a nonlinear relationship between return dispersion and market return. Thus, $\gamma_1$ cannot be used to test for Hypothesis 1 that herding behaviour exists in Confucian markets.

**Measuring asymmetric herding behavior**

Moreover, we examine potential asymmetries in herding behavior as the trading environment is characterized by different states of market returns. Christie and Huang (1995) and Chang et al. (2000) note that herding behavior may be more pronounced during periods of market stress. Since the direction of the market return may affect investor behavior, we examine possible asymmetries in herd behavior conditional on whether the market is rising or falling. The herding regression is estimated separately for
positive and negative market returns. Specifically, the system can be written as:

\[
CSAD_{i,t}^{UP} = \alpha + \gamma_1^{UP} |R_{i,m,t}^{UP}| + \gamma_2^{UP} (R_{i,m,t}^{UP})^2 + \epsilon_{i,t} \quad \text{If } R_{i,m,t} > 0 \quad (4)
\]

\[
CSAD_{i,t}^{DOWN} = \alpha + \gamma_1^{DOWN} |R_{i,m,t}^{DOWN}| + \gamma_2^{DOWN} (R_{i,m,t}^{DOWN})^2 + \epsilon_{i,t} \quad \text{If } R_{i,m,t} < 0 \quad (5)
\]

where \(CSAD_{i,t}^{UP}\) is the return dispersion of market \(i\) at time \(t\) when the market rises, \(\alpha\) is an intercept, \(|R_{i,m,t}^{UP}|\) is the absolute value of market return of market \(i\) at time \(t\) when the market rises, \((R_{i,m,t}^{UP})^2\) is the squared value of market return of market \(i\) at time \(t\) when the market rises, and \(\epsilon_{i,t}\) is the error term of market \(i\) at time \(t\). Similarly, the variables with superscript \(DOWN\) in Equation (5) refer to the scenarios in which the market declines. \(CSAD_{i,t}\) for each market in Equations (4) and (5) will be calculated according to Equation (2). The statistically significant and negative coefficients \(\gamma_2^{UP}\) or \(\gamma_2^{DOWN}\) would indicate the presence of herding behavior.

In short, we can confirm Hypothesis 2, that herding behaviour exists in bull and bear markets in the Confucian countries, if \(\gamma_2^{UP}\) and \(\gamma_2^{DOWN}\) in Equations (4) and (5) are significantly different from zero. Chang et al. (2000) have shown that when \(\gamma_1^{UP}\) and \(\gamma_1^{DOWN}\) reaches a certain value, both \(CSAD_{i,t}^{UP}\) and \(CSAD_{i,t}^{DOWN}\) start to decrease, or at least increase at a less-than-proportional rate with the market return, because there is a nonlinear relationship between return dispersion and market return. Thus, \(\gamma_1^{UP}\) and \(\gamma_1^{DOWN}\) cannot be used to test for Hypothesis 2 that herding behaviour exists in bull and bear markets.
Testing impacts of the Chinese New Year on herding tendency

CNY is the most important traditional festival in China and in Chinese societies. It is different from the common concept of the turn-of-the-year, (around December to January) in that CNY falls on different dates each year. Impacts of CNY on stock market performance and stock prices are very significant. This is not only important for investors seeking excess returns and risk exposure in these emerging stock markets in the Asian region, but also for academic researchers. Many studies discuss that market returns on preceding and succeeding CNY periods tend to be abnormally volatile than those for other trading days.

Mitchell and Ong (2006) discussed their findings that the “turn-of-the-year effect” for China stock markets may occur during the CNY. Additionally, they found that returns in the post-holiday period after CNY tend to be positive, which is consistent with the cultural explanation and the focus on the turn-of-the-year.

Moreover, the following studies found a pre-CNY effect in stock returns. Abidin et al. (2012) found evidence of a significant pre-holiday effect from stock markets of Hong Kong, Japan, Singapore, Malaysia, Taiwan. Wu (2013) found a positive holiday effect during the CNY festival. He discussed that the Chinese stocks have significantly higher mean returns during the pre-CNY period, but the returns got lower in the post-CNY period. Examining the main pre-Chinese holiday effects on stock returns of the Taiwan stock market, Teng and Liu (2013) found that the pre-CNY effect had the biggest impact. Yuan and Gupta (2014) found a significantly positive pre-CNY holiday effect on the stock markets of China, Hong Kong, Japan, Malaysia, South Korea, and Taiwan.

According to the existing literature, the CNY appears to be and has been the biggest and most influential event in Confucian societies. The common thing among these studies is that they used dummy variables in detecting the relationship between CNY effects
and equity returns. In developing empirical models, these studies set equity returns as the dependent variable, while dummy variables, which usually represent the time period pre-CNY and post-CNY, were employed as the independent variables, as shown in Eq. (6):

\[ Y_t = \alpha + \beta_1 D_1 + \beta_2 D_2 + \varepsilon_t \]  

(6)

where \( Y_t \) represents the market index return at times (t), \( \alpha \) is a constant, \( D_1 \) a dummy variable which benchmarks pre-CNY period and takes a value of 1 during the 5-14 days before the CNY, otherwise 0; \( D_2 \) is a dummy variable which represents the post-CNY period and takes a value of 1 during the 5-14 days after the CNY, otherwise 0. \( \beta_1 \) is the coefficient of \( D_1 \) and \( \beta_2 \) is the coefficient of \( D_2 \). \( \varepsilon_t \) is error term at times (t). The time definition of “before and after” means 5-14 trading days right before the closure of the market, and 5-14 trading days right after the opening of the market. The model in Eq. (6) assumes that if CNY has a strong effect on stock market performance, then the coefficients \( \beta_1 \) and \( \beta_2 \) would be statistically significant and different than zero. In other words, if the coefficients are positive and statistically significant, then the equity returns increase with the effect of CNY, and vice versa. According to the studies, positive, abnormally high returns were usually expected during pre-CNY, and negative abnormally high returns were likely during the post-CNY period.

Thus, referencing the previous studies and the spirit of their model fundamentality, which was shown in Eq. (6), we have developed the following empirical model in Eq. (7). The dependent variable in Eq. (6) is index return. \( CSAD \) is calculated by using individual stock returns. Thus, we use the \( CSAD \) as the dependent variable in our empirical model. In order to enhance the model power, we added \( (R_{i,m,t})^2 \). We have tested Eq. (7) with and without
\((R_{i,m,t})^2\), as well as with other corresponding control variables to \(CSAD_{i,t}\), but we got much better results with the non-linear specification \((R_{i,m,t})^2\).

\[
CSAD_{i,t} = \alpha + \beta_1^{PRE} D_1^{PRE} + \beta_2^{POST} D_2^{POST} + \gamma_2 (R_{i,m,t})^2 + \varepsilon_t
\] (7)

where \(CSAD_{i,t}\) is the return dispersion of market (i) at times (t), \(\alpha\) is an intercept, \(D_1^{PRE}\) is a dummy variable which takes a value of 1 when it benchmarks for the pre-CNY period, and 0 otherwise. \(D_2^{POST}\) is a dummy variable, which represents the post-CNY period when it takes a value of 1, and 0 otherwise. \((R_{i,m,t})^2\) is the squared value of the market return of market (i) at times (t), and \(\varepsilon_t\) is the error term of the market (i) at times (t). The pre-CNY covers a time period of 15 trading days right before the CNY, and the post-CNY covers a time period of 20 trading days right after the reopening of the market after the CNY. We chose time periods of 15-pre-CNY days and 20-post-CNY days because we assume that the magnitude of CNY effect exhibits prevalently in both the pre and post time periods. In addition, we assumed that, in order to catch investment behavioral sentiments, shorts periods, such as 5 days, are not enough. The CNY period refers to the time period from the CNY eve day until the final day of the CNY holiday period, which is termed as the window period of CNY. The other studies mentioned in this paper took 8 to 14 days as the window period. Our study takes 10 days as the window time period to represent the CNY holiday. Since the CNY happens on different days in January and February, we referred to the actual days of the CNY according to the Gregorian calendar, as shown in Table 2. The time period of the data for the sample markets from Shanghai and Shenzhen, Hong Kong, Korea, Japan, and Singapore extends from January 01, 2002 to December 31, 2014. While the time period of the data for the sample markets
of Hochimin and Hanoi extends from January 01, 2008 to December 31, 2014. We set the starting time period for our data as such because the original data starts from different dates, which is not convenient to calculate the effects of CNY. Also, data for the Vietnamese markets was available only from the end of 2007. If coefficients $\beta_1$ and $\beta_2$ are statistically significant and different from zero, then they indicate a significant influence of a certain type of CNY effect on investor herding tendency.

Table 1. CNY dates and model specification information.

<table>
<thead>
<tr>
<th>#</th>
<th>CNY day on the Gregorian calendar</th>
<th>Animal sign</th>
<th>Duration of CNY</th>
<th>Pre-CNY</th>
<th>Winlow-CNY</th>
<th>Post-CNY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2002-02-12</td>
<td>Horse</td>
<td>(2002-02-12—2003-01-31)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>2</td>
<td>2003-02-01</td>
<td>Sheep</td>
<td>(2003-02-01—2004-01-21)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>3</td>
<td>2004-01-22</td>
<td>Monkey</td>
<td>(2004-01-22—2005-02-08)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>4</td>
<td>2005-02-09</td>
<td>Rooster</td>
<td>(2005-02-09—2006-01-28)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>5</td>
<td>2006-01-29</td>
<td>Dog</td>
<td>(2006-01-29—2007-02-17)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>6</td>
<td>2007-02-18</td>
<td>Pig</td>
<td>(2007-02-18—2008-02-06)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>7</td>
<td>2008-02-07</td>
<td>Rat</td>
<td>(2008-02-07—2009-01-25)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>8</td>
<td>2009-01-26</td>
<td>Ox</td>
<td>(2009-01-26—2010-02-13)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>9</td>
<td>2010-02-14</td>
<td>Tiger</td>
<td>(2010-02-14—2011-02-02)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>10</td>
<td>2011-02-03</td>
<td>Rabbit</td>
<td>(2011-02-03—2012-01-22)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>11</td>
<td>2012-01-23</td>
<td>Dragon</td>
<td>(2012-01-23—2013-02-09)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>12</td>
<td>2013-02-10</td>
<td>Snake</td>
<td>(2013-02-10—2014-01-30)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
<tr>
<td>13</td>
<td>2014-01-31</td>
<td>Horse</td>
<td>(2014-01-31—2015-02-18)</td>
<td>15 days</td>
<td>10 days</td>
<td>20 days</td>
</tr>
</tbody>
</table>

Source: Chinese New Year Calendar (2016).

Empirical analysis

Descriptive statistics

This paper applies the return dispersion models to investigate whether the sample markets exhibit herding behavior. To do so, we first estimate the basic descriptive statistics for the returns of stock indices from sample markets and exhibit the results in Table 2.
Table 2 shows some descriptive statistics of the return dispersion of stock indices from some Asian economies that practice Confucian culture. According to Table 2, the mean values of the CSAD for KOSDAQ, KOSPI, and HNX are 2.4148, 2.1624, and 2.2220, which are the 3 highest mean values. They also have the highest volatility because their standard deviations are 0.8694, 0.9576, and 0.7862, respectively. SHB has the smallest mean...
and NI225 has the smallest volatility (0.5594). According to Table 2, the maximum value of CSAD is at VNINDEX that is equal to 10.9574, followed by KOSPI and KOSDAQ that have the second and third highest maximum values.

We also check stationarity of return dispersion measure by using the Augmented Dickey-Fuller (ADF) test. Since all series are stationary, we do not report details of ADF test results.

Our findings are consistent with those obtained by Chang et al. (2000) who report that Asian equity market returns and the returns of individual stocks are characterized by higher magnitudes of volatility with standard deviations. Moreover, McQueen et al. (1996) and Gleason et al. (2004) argue that investors may fear potential losses in the downward market price more than they enjoy the potential gains in the upward markets, which leads them to follow herd behavior. The consequence is a reduction in return dispersion. Our findings are consistent with this argument.

Results of the empirical models

After reviewing relevant literature, we have developed three hypotheses, stated in Section 3, to test whether the stock markets in the seven Asian economies practicing Confucian culture exhibit herding behavior under different conditions. This section discusses the results of our empirical tests.

Results of measurement herding behavior

To test the first hypothesis, that herding behavior exists among the Confucian markets, we examined whether $\gamma_2$ in Equation (3) is significantly different from zero, as discussed in Section 4.2.1. We reported the results in Table 3. According to the definition of the empirical model in Equation (3), a statistically significant and negative coefficient $\gamma_2$ indicates herding behavior.
Table 3. Results of analysis of herding behavior in Confucian stocks markets.

<table>
<thead>
<tr>
<th>Market name (N)</th>
<th>α</th>
<th>γ₁</th>
<th>γ₂</th>
<th>Adj. R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHA (3982)</td>
<td>1.053</td>
<td>0.564</td>
<td>-0.053</td>
<td>0.249</td>
</tr>
<tr>
<td></td>
<td>(59.32)</td>
<td>(27.33)</td>
<td>(-15.09)</td>
<td></td>
</tr>
<tr>
<td>SHB (4174)</td>
<td>0.668</td>
<td>0.479</td>
<td>-0.043</td>
<td>0.290</td>
</tr>
<tr>
<td></td>
<td>(48.15)</td>
<td>(32.19)</td>
<td>(-22.42)</td>
<td></td>
</tr>
<tr>
<td>SZA (3877)</td>
<td>1.000</td>
<td>0.473</td>
<td>-0.035</td>
<td>0.299</td>
</tr>
<tr>
<td></td>
<td>(56.62)</td>
<td>(23.26)</td>
<td>(-8.55)</td>
<td></td>
</tr>
<tr>
<td>SZB (4174)</td>
<td>0.839</td>
<td>0.479</td>
<td>-0.044</td>
<td>0.273</td>
</tr>
<tr>
<td></td>
<td>(55.36)</td>
<td>(31.15)</td>
<td>(-21.24)</td>
<td></td>
</tr>
<tr>
<td>HSI (3610)</td>
<td>0.872</td>
<td>0.347</td>
<td>-0.004</td>
<td>0.382</td>
</tr>
<tr>
<td></td>
<td>(58.41)</td>
<td>(15.5)</td>
<td>(-0.81)</td>
<td></td>
</tr>
<tr>
<td>N1225 (3587)</td>
<td>0.953</td>
<td>0.298</td>
<td>-0.006</td>
<td>0.272</td>
</tr>
<tr>
<td></td>
<td>(66.45)</td>
<td>(22.12)</td>
<td>(-3.18)</td>
<td></td>
</tr>
<tr>
<td>TOPIX (3913)</td>
<td>1.070</td>
<td>0.410</td>
<td>-0.006</td>
<td>0.361</td>
</tr>
<tr>
<td></td>
<td>(71.08)</td>
<td>(25.95)</td>
<td>(-2.03)</td>
<td></td>
</tr>
<tr>
<td>KOSDAQ (3778)</td>
<td>1.845</td>
<td>0.626</td>
<td>-0.043</td>
<td>0.348</td>
</tr>
<tr>
<td></td>
<td>(75.49)</td>
<td>(22.78)</td>
<td>(-8.52)</td>
<td></td>
</tr>
<tr>
<td>KOSPI (4168)</td>
<td>1.545</td>
<td>0.638</td>
<td>-0.035</td>
<td>0.359</td>
</tr>
<tr>
<td></td>
<td>(74.29)</td>
<td>(28.84)</td>
<td>(-9.54)</td>
<td></td>
</tr>
<tr>
<td>STI (3679)</td>
<td>0.868</td>
<td>0.404</td>
<td>-0.010</td>
<td>0.278</td>
</tr>
<tr>
<td></td>
<td>(57.25)</td>
<td>(14.4)</td>
<td>(-1.21)</td>
<td></td>
</tr>
<tr>
<td>TAIEX (3779)</td>
<td>1.126</td>
<td>0.588</td>
<td>-0.072</td>
<td>0.267</td>
</tr>
<tr>
<td></td>
<td>(47.78)</td>
<td>(12.81)</td>
<td>(-5.47)</td>
<td></td>
</tr>
<tr>
<td>HNX (1899)</td>
<td>1.686</td>
<td>0.596</td>
<td>-0.076</td>
<td>0.218</td>
</tr>
<tr>
<td></td>
<td>(45.43)</td>
<td>(13.47)</td>
<td>(-8.65)</td>
<td></td>
</tr>
<tr>
<td>VNINDEX (1879)</td>
<td>1.350</td>
<td>0.692</td>
<td>-0.174</td>
<td>0.155</td>
</tr>
<tr>
<td></td>
<td>(39.42)</td>
<td>(12.54)</td>
<td>(-11.58)</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Numbers in parentheses are t-statistics based on Newey–West (1987) consistent standard errors. ***, ** and * represent statistical significance at the 1%, 5%, and 10% levels, respectively. This table reports the results of the estimation of the empirical model in Equation (3): $CSAD_{t,t} = \alpha + \gamma_1 |R_{i,m,t}| + \gamma_2 (R_{i,m,t})^2 + \varepsilon_{i,t}$.

The results in Table 3 show that the coefficient $\gamma_2$ is significantly negative for all markets at 1% and 5% (TOPIX) except HSI and STI. The coefficient $\gamma_2$ of HSI and STI is negative, but not statistically significant.

The average level of equity return dispersions (as measured by the regression $\alpha$) in a stagnant market where $R_{m,t}$ is equal to zero, ranged from a high of 184.5% for the KOSDAQ to a low of 66.8% for
SHB. Furthermore, we found that all coefficients on the linear term of $|R_{i,m,t}|$ are significantly positive. These results strongly confirm the prediction that $CSAD_{i,t}$ increases with $|R_{i,m,t}|$.

By testing the first hypothesis, we find overwhelming evidence of herding behavior in the sample markets. However, $\gamma_2$ for HSI and STI, which are advanced markets, is not statistically significant (but still negative), which is somehow in line with Chang et al. (2000), who found no evidence of herding behavior in U.S. and Hong Kong markets. They discuss that herding is hardly found in advanced markets, rather it is prevalent in emerging markets. Notwithstanding, we found significant herding in advanced markets NII25 and TOPIX, which is consistent with the findings of Chang and Lin (2015), who identified significant herding in Japan and Hong Kong markets.

Moreover, we found significant herding in SHB and SZB markets, which is consistent with Tan et al. (2008). The markets SHB and SZB are dominated by institutional investors from developed countries, and our findings appear to be more evidence that advanced markets exhibit herding behavior too.

The coefficient $\gamma_2$ is negative and statistically significant for all markets. Otherwise, the linear relation between $CSAD_t$ and $|R_{i,m,t}|$ obviously does not hold in our models. In order to illustrate the relationship, we take the following general quadratic relationship between $CSAD_t$ and $|R_{i,m,t}|$:

$$CSAD_{i,t} = \alpha + \gamma_1|R_{i,m,t}| + \gamma_2(R_{i,m,t})^2 \quad (8)$$

As stated in the quadratic relationship, return dispersion exhibits its maximum value as $|R_{i,m,t}|^* = -\left(\frac{\gamma_1}{2\gamma_2}\right)$. Otherwise, when $|R_{i,m,t}|$ rises over the range where realized mean daily returns in
absolute terms are no more than $|R_{i,m,t}|^*$, then return dispersion is still increasing. Nevertheless, as the value of $|R_{i,m,t}|$ passes the value of $|R_{i,m,t}|^*$, the return dispersion measure starts to increase in an inverse rate. For example, calculating the estimated coefficients for the Taiwan market ($\gamma_1 = 0.588$ and $\gamma_2 = -0.072$) into the quadratic relation in Equation (8) shows that return dispersion reaches a maximum when $|R_{i,m,t}| = |R_{i,m,t}|^* = 4.08\%$. According to this rationale, during large market movements in index return that surpass the threshold level $|R_{i,m,t}|^*$, the return dispersion increases at a decreasing rate as shown in Figure 1 (Chang et al., 2000).

Figure 1. Relationship between the daily return dispersion ($CSAD_{i,t}$) and the corresponding equally-weighted market return ($R_{i,m,t}$) for TAIEX of Taiwan Stock Exchange.
Moreover, the size of the coefficient also indicates the degree of herding behavior (Lao & Singh, 2011). For instance, the size of $\gamma_2$ is larger in markets of TAIEX (-0.072), HNX (-0.076), and VNINDEX (-0.174).

Overall, according to the empirical results in Table 3, Hypothesis 1 is accepted.

**Results of measurement of asymmetric herding behavior during up and down markets**

Several studies examine the asymmetric herding behavior using market return.

In all five markets (U.S., Hong Kong, Japan, South Korea, and Taiwan) that Chang et al. (2000) examined, the return dispersion of individual stock increases as a function of the aggregate market return and was higher during up market, comparative to down market. Otherwise, investors exhibit herding behaviour in down market time. These results are consistent with the directional asymmetry documented by McQueen et al. (1996).

Examining China A and B share markets, Tan et al. (2008) found that herding occurs in both rising and falling market conditions. Moreover, herding was found to be stronger, especially for the Shanghai A-share market, during up markets. However, there is very weak asymmetry in the B-share markets. They document that the obvious difference in investor behavior may be due to the different specifications of A and B share markets.

By analyzing 18 markets from regions of Latin America, North America, and Asia, Chiang and Zheng (2010) discovered that herding asymmetry is more profound in Asian markets (Hong Kong, Japan, China, South Korea, Indonesia, Malaysia, Singapore, Thailand, and Taiwan) during rising market periods.

Lao and Singh (2011) found that herding behaviour is greater in Chinese stock markets when the market is falling.
Finally, Yao et al. (2014) discussed that herding behaviour in Chinese stock markets is more prevalent during declining markets. The second hypothesis assumes that asymmetric herding behaviour exists among the Confucian markets when the market rises and falls. Table 4 reports the results of the empirical testing second hypothesis. According to the definition of these models, statistically significant and negative coefficients $\gamma_{UP}^U$ and $\gamma_{DOWN}^D$ indicate herding behavior in up and down markets.

Table 4. Results of analysis of herding behaviour in Confucian stock markets during UP and DOWN markets.

<table>
<thead>
<tr>
<th>Market name (N)</th>
<th>UP market $R_{t,m} &gt; 0$</th>
<th>DOWN market $R_{t,m} &lt; 0$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\alpha$</td>
<td>$\gamma_{UP}^U$</td>
</tr>
<tr>
<td>SHA (2224)</td>
<td>0.916</td>
<td>0.605</td>
</tr>
<tr>
<td></td>
<td>(39.79)**</td>
<td>(22.96)**</td>
</tr>
<tr>
<td>SHB (2314)</td>
<td>0.560</td>
<td>0.546</td>
</tr>
<tr>
<td>SZA (2237)</td>
<td>0.862</td>
<td>0.551</td>
</tr>
<tr>
<td></td>
<td>(38.75)**</td>
<td>(22.31)**</td>
</tr>
<tr>
<td>SZB (2372)</td>
<td>0.700</td>
<td>0.581</td>
</tr>
<tr>
<td></td>
<td>(36.27)**</td>
<td>(30.21)**</td>
</tr>
<tr>
<td>HSI (1961)</td>
<td>0.774</td>
<td>0.452</td>
</tr>
<tr>
<td></td>
<td>(38.63)**</td>
<td>(16.15)**</td>
</tr>
<tr>
<td>NI225 (1954)</td>
<td>0.838</td>
<td>0.419</td>
</tr>
<tr>
<td></td>
<td>(40.55)**</td>
<td>(22.38)**</td>
</tr>
<tr>
<td>TOPIX (2112)</td>
<td>0.924</td>
<td>0.552</td>
</tr>
<tr>
<td></td>
<td>(43.27)**</td>
<td>(25.45)**</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KOSDAQ (2166)</td>
<td>1.673</td>
<td>0.752</td>
</tr>
<tr>
<td></td>
<td>(46.14)**</td>
<td>(16.88)**</td>
</tr>
<tr>
<td>KOSPI (2330)</td>
<td>1.396</td>
<td>0.755</td>
</tr>
<tr>
<td></td>
<td>(46.47)**</td>
<td>(24.14)**</td>
</tr>
<tr>
<td>STI (1992)</td>
<td>0.784</td>
<td>0.526</td>
</tr>
<tr>
<td></td>
<td>(35.87)**</td>
<td>(13.17)**</td>
</tr>
<tr>
<td>TAIX (2058)</td>
<td>0.960</td>
<td>0.783</td>
</tr>
<tr>
<td></td>
<td>(39.23)**</td>
<td>(23.80)**</td>
</tr>
<tr>
<td>HNX (962)</td>
<td>1.552</td>
<td>0.682</td>
</tr>
<tr>
<td></td>
<td>(28.16)**</td>
<td>(10.35)**</td>
</tr>
</tbody>
</table>
Notes: Numbers in parentheses are t-statistics based on Newey–West (1987) consistent standard errors. ***, ** and * represent statistical significance at the 1%, 5%, and 10% levels, respectively. This table reports results of estimation of the empirical model in Equations (4) and (5):

\[
\begin{align*}
\text{CSAD}_{i,t}^{\text{UP}} &= \alpha + \gamma_1^{\text{UP}} |R_{i,m,t}^{\text{UP}}| + 
\gamma_2^{\text{UP}} (R_{i,m,t}^{\text{UP}})^2 + \varepsilon_{i,t}, \quad \text{when } R_{i,m,t} > 0, \\
\text{CSAD}_{i,t}^{\text{DOWN}} &= \alpha + \gamma_1^{\text{DOWN}} |R_{i,m,t}^{\text{DOWN}}| + 
\gamma_2^{\text{DOWN}} (R_{i,m,t}^{\text{DOWN}})^2 + \varepsilon_{i,t}, \quad \text{when } R_{i,m,t} < 0.
\end{align*}
\]

The results depicted in Table 4 show that the coefficient \( \gamma_2^{\text{UP}} \) is significantly negative for all markets at 1% except HSI and STI. The coefficient \( \gamma_2^{\text{UP}} \) for HSI and STI is negative but not statistically significant.

The coefficient \( \gamma_2^{\text{DOWN}} \) is statistically significant at 1% and negative for seven markets, while the coefficient for SHA is statistically significant at 5%. The coefficient for the rest of the markets (SZA, HSI, NI225, TOPIX, STI) is either positive or not statistically significant.

The empirical findings of the hypothesis 2 tests are consistent with the results of Tan et al. (2008), Chiang and Zheng (2010), and though contradictory to the findings of Chang et al. (2000). However, Chang et al. (2000) documented that herding is prevalent in down markets, but the coefficient \( \gamma_2^{\text{UP}} \) of their study is still negative for markets of Hong Kong and Japan, which means the formation of herding behavior still exists in rising markets.

We find that herding behavior is stronger during up markets than down markets. A possible explanation for these findings is that positive feedback trading is being undertaken by institutional investors, which refers to the investment strategies involved in buying rising shares and selling falling shares over time (Nofsinger & Sias, 1999). Thus, during up market conditions, rather than relying on their own analysis, the institutional investors in Confucian markets may exhibit herding behaviour as they all engage in positive feedback trading. Nevertheless, in a down
market, investors seem to base their decisions on their own analysis rather than following market consensus (Ray, 2009). It may be that these investors are long-term investors who do not panic or sell in a hurry when the market is in rapid decline.

According to the empirical findings of this study, Hypothesis 2 is accepted.

**Results of measurement of impacts of the Chinese New Year on herding tendency**

Hypothesis 3 assumes that a certain type of CNY effect exists on the behavior and formation of herding tendency among Confucian markets. The hypothesis has been examined by the empirical model in Eq. (7), which uses dummy variables $D_1^{PRE}$ and $D_2^{POST}$ to benchmark the pre-CNY and post-CNY periods. To enhance the model power, we added the non-linear term of marker return $(R_{i,m,t})^2$ to the corresponding $CSAD_{i,t}$. The dependent variable of the model is the return dispersion measure of CSAD. We have tested Eq. (13) with and without $(R_{i,m,t})^2$, as well as with other corresponding control variables to $CSAD_{i,t}$, but we got much better results with the non-linear specification $(R_{i,m,t})^2$. All models are run through OLS regression, as well as regression with Newey-West standard errors (1987) as a robustness regression test. The results of the regression models are presented in Panel A and B in Table 5. The entire sample, a total of 13 markets, has been examined with the empirical model. The intercept $\alpha$ shows the location of the return dispersion measure at point 0. According to the specification of Eq. (7), if coefficients $\beta_1$ and $\beta_2$ are statistically significant and different from zero, they indicate a significant influence of a certain type of CNY effect on investor herding tendency, as shown in the below rationale:
\[ y_1 = \alpha_0 + \beta_1 D_1 + (R_{i,m,t})^2 \quad \text{if} \quad D_{1,2}^{\text{PRE,POST}} = 1 \quad (9) \]

\[ y_0 = \alpha_0 + \beta_1 D_0 + (R_{i,m,t})^2 \quad \text{if} \quad D_{1,2}^{\text{PRE,POST}} = 0 \quad (10) \]

Where \( D_i^{\text{PRE}} \), the dummy variable which benchmarks for the pre-CNY period, takes a value of 1 as opposed to 0; and \( D_2^{\text{POST}} \), the dummy variable which represents the post-CNY period, takes a value of 1 rather than 0. The value 0 is the reference group. According to this formula, the behavior of the return dispersion measure is determined by the behavior of \( \beta_1 D_1 \).

\[ y_1 - y_0 = \alpha_0 + \beta_1 D_1 + (R_{i,m,t})^2 - \alpha_0 - (R_{i,m,t})^2 = \beta_1 D_1 \quad (11) \]

<table>
<thead>
<tr>
<th>Market name (N)</th>
<th>( \alpha )</th>
<th>Before CNY</th>
<th>After CNY</th>
<th>( \gamma_2 )</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHA (3391)</td>
<td>1.441 (86.30)**</td>
<td>0.036 (0.69)</td>
<td>0.123 (2.97)**</td>
<td>0.040 (7.88)**</td>
</tr>
<tr>
<td>SHB (3391)</td>
<td>0.939 (83.80)**</td>
<td>0.057 (1.22)</td>
<td>-0.008 (-0.35)</td>
<td>0.021 (11.43)**</td>
</tr>
<tr>
<td>SZA (3391)</td>
<td>1.349 (95.10)**</td>
<td>0.042 (0.82)</td>
<td>0.127 (3.60)**</td>
<td>0.043 (12.61)**</td>
</tr>
<tr>
<td>SZB (3391)</td>
<td>1.129 (87.08)**</td>
<td>-0.003 (-0.08)</td>
<td>0.031 (1.05)</td>
<td>0.029 (9.33)**</td>
</tr>
<tr>
<td>HSI (3391)</td>
<td>1.083 (94.06)**</td>
<td>0.163 (3.92)**</td>
<td>0.047 (2.02)**</td>
<td>0.036 (8.55)**</td>
</tr>
<tr>
<td>NI225 (3391)</td>
<td>1.137 (89.70)**</td>
<td>0.131 (3.26)**</td>
<td>0.059 (1.98)**</td>
<td>0.032 (6.51)**</td>
</tr>
<tr>
<td>TOPIX (3390)</td>
<td>1.262 (72.05)**</td>
<td>0.077 (2.07)**</td>
<td>0.084 (2.79)**</td>
<td>0.050 (5.28)**</td>
</tr>
<tr>
<td>KOSDAQ (3390)</td>
<td>2.194 (138.80)**</td>
<td>0.080 (1.59)</td>
<td>0.214 (5.09)**</td>
<td>0.048 (9.76)**</td>
</tr>
<tr>
<td>KOSPI (3390)</td>
<td>1.807 (91.50)**</td>
<td>0.089 (1.78)**</td>
<td>0.144 (3.59)**</td>
<td>0.054 (5.96)**</td>
</tr>
<tr>
<td></td>
<td>1.02</td>
<td>0.135</td>
<td>0.072</td>
<td>0.069</td>
</tr>
<tr>
<td>-------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>STI (3391)</td>
<td>(88.90)***</td>
<td>(3.50)***</td>
<td>(2.80)***</td>
<td>(9.80)***</td>
</tr>
<tr>
<td>TAIEX (3391)</td>
<td>1.407 (109.20)***</td>
<td>-0.169 (-3.13)***</td>
<td>0.029 (0.81)</td>
<td>0.047 (8.45)***</td>
</tr>
<tr>
<td>HNX (1827)</td>
<td>2.128 (97.78)***</td>
<td>-0.121 (-1.60)</td>
<td>0.216 (4.45)***</td>
<td>0.016 (5.59)***</td>
</tr>
<tr>
<td>VNINDEX (1827)</td>
<td>1.741 (88.69)***</td>
<td>-0.093 (-1.48)</td>
<td>0.128 (3.54)***</td>
<td>-0.011 (-2.74)***</td>
</tr>
</tbody>
</table>

Notes: Numbers in parentheses are t-statistics, consistent standard errors. ***, ** and * represent statistical significance at the 1%, 5%, and 10% levels, respectively. This table reports the results of the estimation of the empirical model in Eq. (7): \( CSAD_{t,t} = \alpha + \beta_1^{PRE} D_1^{PRE} + \beta_2^{POST} D_2^{POST} + \gamma_2 (R_{t,m,t})^2 + \varepsilon_t \).

According to the results in Table 5, the coefficient \( \beta_1 \) is statistically insignificant and positive for the markets of SHA, SHB, SZA, and KOSDAQ. Likewise, the coefficient \( \beta_1 \) is statistically insignificant and negative for the markets of SZB, HNX, and VNINDEX.

Moreover, the coefficient \( \beta_2 \) is statistically significant and positive for the markets of SHA (statistically significant at 1%), SZA (statistically significant at 1%), HSI (statistically significant at 5%), NI225 (statistically significant at 5%), TOPIX (statistically significant at 1%), KOSDAQ (statistically significant at 1%), KOSPI (statistically significant at 1%), STI (statistically significant at 1%), HNX (statistically significant at 1%), and VNINDEX (statistically significant at 1%).

The coefficient \( \beta_2 \) is statistically insignificant and positive for the markets of SZB and TAIEX, while the coefficient \( \beta_2 \) is statistically insignificant and negative for the market of SHB.

The results of the t-statistics are consistent with the results of the p-value.
Summary and decision

(PRE-CNY period): According to the results of the regression analysis, coefficient $\beta_1$ is statistically significant and positive for the markets of HSI, NI225, TOPIX, KOSPI, and STI, which means the return dispersion of these markets becomes larger right before the CNY. In other words, investors in these markets make decisions based on a pre-holiday peaceful and happy mind, which enables them to behave more independently. Most of the markets here are advanced markets, thus, perhaps investors in these markets are more confident and joyful with their situations. Meanwhile, the coefficient $\beta_1$ is statistically significant and negative only for the market of TAIEX, which means the return dispersion of this market becomes smaller right before the CNY. In other words, investors in this market make decisions based on a more nervous and tight mindset, which causes them to exhibit more uniform behavior. TAIEX is an emerging market, thus, investors in this market are likely to be more rigid and alert in order to deal with risky situations, which are common in emerging markets. The more rigid and alert they become, the more they lose their ability to make decisions on their own.

The coefficient $\beta_1$ for SHA, SHB, SZA, KOSDAQ, SZB, and HNX, as well as VNINDEX is either positive or negative and statistically insignificant.

(POST-CNY period): According to the results of regression analysis, the coefficient $\beta_2$ is statistically significant and positive for the markets of SHA, SZA, HSI, NI225, TOPIX, KOSDAQ, KOSPI, STI, and HNX, as well as VNINDEX, which means the return dispersion of these markets becomes larger right after the CNY. In other words, investors in these markets make decisions based on post-holiday happiness forward-thinking, and a positive mindset, which leads them to behave more independently.
The coefficient $\beta_2$ for SZB, TAIEX, and SHB is either positive or negative and statistically insignificant. In overall, 38.46% of the sample shows a significant positive relationship with the pre-CNY period, while 7.69% shows a significant negative relationship with the pre-CNY period. Moreover, 76.92% of the sample exhibits a significant positive relationship with the post-CNY period, while 23.07% shows no relationship. Thus, based on these findings, return dispersions of markets become larger during the post-CNY period. This outcome can be interpreted as either less herding behavior or more herding behavior. Obviously, larger return dispersion means less herding. However, according to the 30-day moving averages of volatility in market returns and trading volume, post-CNY periods (the end of February and March) are quite vulnerable and stressful. Investors in markets under high stress and volatility are more likely to exhibit herding behavior (Christie & Huang, 1996; Chang et al., 2000; Tan et al., 2008).

CNY is the most important traditional festival in China and in Chinese societies. It is different from the common concept of the turn-of-the-year, (around December to January) in that CNY falls on different dates each year. Impacts of CNY on stock market performance and stock prices are very influential. This is not only important for investors seeking excess returns and risk exposure in these emerging stock markets in the Asian region, but also for academic researchers. Many studies discuss that market return on preceding and succeeding CNY periods tends to be abnormally more volatile than those for other trading days.

Mitchell and Ong (2006) discussed their findings that the “turn-of-the-year effect” for China stock markets may occur during the CNY. Additionally, they found that returns in the post-holiday period after CNY tend to be positive, which is consistent with the cultural explanation and the focus on the turn-of-the-year.
While other studies found a pre-CNY effect in stock returns, Abidin et al. (2012) found evidence of a significant pre-holiday effect in the stock markets of Hong Kong, Japan, Singapore, Malaysia, and Taiwan. Wu (2013) found a positive holiday effect in the pre-CNY festival. Teng and Liu (2013) found, from the Taiwan Stock Exchange, that the pre-CNY effect is the biggest effect on stock returns. Yuan and Gupta (2014) found a significantly positive pre-CNY holiday effect in the stock markets of China, Hong Kong, Japan, Malaysia, South Korea, and Taiwan. The findings of these studies are not contrary to the results of Hypothesis 5, because some results indicate that return dispersion becomes larger in the pre-CNY period. However, the point of our findings is that return dispersion becomes larger in the post-CNY period than the pre-CNY period.

Generally, we found that the results support Hypothesis 3. Thus, we accept Hypothesis 3.

Conclusion
Generally, this study detected an overwhelming herding behavior from the sample markets, thus all of the empirically examined hypotheses were accepted. This study brings all Confucian markets forward to the level of empirical examination, which contributes to the existing literature of herding.

Upon close examination of the first hypotheses, we found significant herding from all markets, no matter whether they were emerging or advanced economies. Thus, our findings contradict the existing theory on herding, which discusses that herding behavior hardly exists among advanced markets, while supporting the argument of this study that Confucian culture has a positive influence on the formation of herding behavior.

While testing the second hypothesis, we found that herding is greater in up markets than down markets.
In short, up markets are positive and pleasant for investors, in order words, they have features of a bull market. During a bull market, investors are more optimistic about trading. However, it does not mean that investors make decisions solely on their own. When investors are too optimistic, they also tend to exhibit risky behavior by making risky investment decisions, such as buying too many shares, either based on their own decisions or on decisions made by other traders (Kurov, 2010). Thus, bull market states might be a stepping-stone of possible herding behavior.

The empirically tested third hypothesis assumed that a certain type of CNY effect exists on the formation of herding tendency among Confucian markets. To detect the CNY effect, this study tested two periods, pre-CNY and post-CNY, with dummy variables. The empirical test was conducted on whole sample markets. According to the empirical results, Hypothesis 3 is accepted. The details of our findings are broken down in the next few paragraphs.

First, we will discuss the relationship between the return dispersion and the pre-CNY effect. According to our empirical findings, significant positive relationships were detected for the markets of HSI, NIKKEI, TOPIX, KOSPI, and STI, which means the return dispersion of these markets became larger right before the CNY. In other words, investors in these markets make decisions based on a pre-holiday, happy mindset, which lets them behave more independently. Most of these markets are advanced markets, which might mean that investors there are more confident and joyful towards any upcoming situations on the market. On the other hand, we found a significant and negative relationship in the TAIEX market, which means return dispersion of this market became smaller right before the CNY. In other words, investors in TAIEX market made decisions based on a more nervous mindset, which led them to exhibit more uniform behavior. TAIEX is an emerging market, thus, investors in this market are more rigid and
alert when dealing with any risky situations, which are prevalent among emerging markets. The more rigid and alert investors become, the more they lose their ability to make an optimal decision.

The rest of the market: SHA, SHB, SZA, KOSDAQ, SZB, and HNX, as well as VNINDEX, were found statistically insignificant, which means the pre-CNY period does not affect them significantly.

Second, we discussed the relationship between the return dispersion and the post-CNY effect. According to the results, we found significant positive relations from the markets of SHA, SZA, HSI, NI225, TOPIX, KOSDAQ, KOSPI, STI, and HNX, as well as VNINDEX, which means return dispersion of individual stocks in these markets became larger right after the CNY. Otherwise, investors in these markets made decisions based on post-holiday happiness and a forward-thinking, positive mindset, which let them behave more independently. The markets SZB, TAIEX, and SHB were found to be insignificant in this relationship.

Overall, 38.46% of the sample markets shows a significant positive relationship with the pre-CNY period, while 7.69% shows a significant negative relationship with the pre-CNY period. In addition, 76.92% of the sample exhibits a significant positive relationship with the post-CNY period while the remaining 23.07% shows no significant relationship. Thus, our findings clearly show that return dispersions of individual stocks become larger during the post-CNY period. According to the definition of our empirical model in Eq. 7, this increase can be interpreted as a decrease in herding behavior. Yet, according to the 30-day moving averages of volatility in market returns and trading volume, post-CNY periods (the end of February and March) are quite vulnerable and stressful. Investors in markets under high stress and volatility are more likely to exhibit herding behavior. Thus, there is no herding formation in post-CNY period. The post-CNY heavy trading activity based on the forward-looking positive sentiments may also appear to be a
stepping stone to the formation of further herding tendency (Christie & Huang, 1996; Chang et al., 2000; Tan et al., 2008).

We note that we presented some parts of the early version of our paper in “2018 International Conference of the Thailand Econometric Society TES’2018” and the organization has published all papers presented there in Kreinovich, et al. (2017). We have revised our paper greatly by employing new data and adding new hypotheses to become the present draft, and we have been granted the right to publish our paper by the conference organization.

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Analysis on Mongolia’s Non-formal SCO Membership

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Abstract
Since the end of the Cold War, Mongolia has devoted itself to reconstructing new identities that are very different from its previous national identities, regardless of individual identity, role identity or generic identity, and cherishes the stability of the content and meaning of new identities. It has become an important reason that has not made breakthrough progress for a long time. In general, first of all, the significant differences in individual status between Mongolia and the SCO member states limit their level of recognition of the SCO; Secondly, relative to the role of neighboring countries and "third neighbors" and the inherent tension between them, Mongolia deliberately chose to maintain a proper distance from the SCO; Third, Mongolia's concern about the weakening of its democratic

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status is a deep source of resistance to the organisation. After the success of the first SCO expansion, Mongolia's attitude towards the SCO has in the past been based on the "active participation and distance keeping" and "active participation and narrowing the distance". In view of this, the SCO should promote mutual understanding and acceptance of each other's individual identities among its internal members, enhance the process of interaction between Mongolia and the member states of the Shanghai Cooperation Organization, especially Central Asia, and give the necessary respect and recognition to the status of Mongolian democratic countries.

**Keywords**: Mongolia, Social Identity, The International Organization of the Shanghai Cooperation Organization

Mongolia is one of the first observers of the Shanghai Cooperation Organization (SCO), and it has maintained the status of an observer for the longest time in the SCO. At the beginning of the establishment of the SCO, Mongolia did not show much enthusiasm for the new organization. However, as the SCO gradually grew in power and influence, Mongolia's attitude towards it has become increasingly positive. In the initial stage of the observer-country mechanism of SCO in 2004, Mongolia was admitted as an observer country in the Tashkent Council of Heads in June of the same year. The meeting has been viewed as a key step for the SCO to entering a full development period from its

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3 Huang Jia-kui:"Working Record of Mongolian Diplomats for 20 Years: Five Entrances into Mongolia", Hohhot: Inner Mongolia University Press, 2008, p.84.
initial stage.\textsuperscript{4} At this background, Mongolia became the first observer country, which undoubtedly has important symbolic meaning and demonstration effects for the development of SCO. As a result, Pakistan, Iran, India, and Afghanistan submitted applications and have been granted observer status. Since Mongolia became an observer country, it has actively participated in the infrastructure construction and environmental protection within the framework of the organization,\textsuperscript{5} and carried out extensive cooperation with other members in various fields, such as energy, economy, transportation, and tourism.

At present, Mongolia apparently possesses both internal and external conditions for its full membership in the SCO. On one hand, Mongolia maintains stable political situation internally, and has a good international image, if it apply for a full member status of the SCO, undoubtedly it will has the support from China, Russia, and other members.\textsuperscript{6} On the other hand, among the four observer countries of the SCO (Mongolia, Afghanistan, Belarus, and Iran), Mongolia has its unique advantages that others do not have. Afghanistan and Iran have a strong desire to join the SCO, but these two countries are still far from the agenda in the near future. Because Afghanistan is hampered by internal political turmoil, while Iran is affected by the tensions with the USA and other complex situation in the Middle East. Also some member

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\textsuperscript{5} "The Mongolian President's Foreign Policy Advisor Positively Appraises the Role of the SCO (Full Text)", Netease News, June 8, 2012 http://news.163.com/12/0608/16/83G7VC5N000014JB5_all.html.

\textsuperscript{6} Li Chao, Yang Shu: Why Does Mongolia Still Not Seek Full membership of the SCO?, International Outlook, No. 1, 2015, pp. 72-73.
states concerning that the domestic problems of Afghanistan and Iran may have spillover effects.⁷

In addition, the SCO’s Ufa Summit decided to grant observer status to Belarus in 2015. Thus, Belarus only has a short history of observer status. Although Belarus has not excluded the possibility of joining the SCO, it has no such intention at present,⁸ so it is unlikely that Belarus will become a full member in the near future. Therefore, Mongolia possesses significant comparative advantages on entry into the SCO.⁹ Based on this, the SCO’s Secretary-General Alimov has said, "If Mongolia joins, there will be no blank spots in the scope of the SCO."¹⁰ As for the admission of new members, many scholars prefer to accept the countries with fewer domestic problems, such as Mongolia.¹¹

As mentioned above, even Mongolia is likely to be accepted in the first place, it has always been cautious about joining the SCO formally. Tsakhiagiin Elbegdorj, the former president of Mongolia, said in 2014, "Mongolia is ready for more active participation in the economic cooperation of the Shanghai Cooperation

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¹⁰ Secretary General of the SCO: Bahrain and Qatar apply to join the SCO, Global Times, December 6, 2017
Organization, but it has not yet made the decision to become a full member of the SCO."\(^{12}\) Since then, the attitude of Mongolia has not changed significantly. Although, India and Pakistan formally joined the SCO in 2017, but that did not affect Mongolia’s previous position. However, maintaining the observer country status for over 14 years, which has exceeded the expectation and knowledge of some scholars.

The reason why Mongolia delayed its process of becoming a SCO member, despite of all the necessary conditions are ready, the scholars have conclude two main reasons.

Firstly, it is inconsistent with Mongolia’s state identity. After the collapse of the Soviet Union, Mongolia transformed to a democratic state through a series of reforms. Politically, it has implemented the western democracy of multiparty parliamentary; and economically, it has shifted to the free market economy. In diplomacy, Mongolia abandoned its long-held “lean towards Soviet Union” policy, and established an “Open, Non-alignment, Multi-point” foreign policy.\(^{13}\) And nowadays, most Mongolians viewed the country as a democratic country. According to a poll regarding such self-recognition, the top five valuable qualities includes guaranteed individual freedoms (such as freedom of speech, religion, activities, and freedom of assembly), pluralism, a representative government (determined by a multiparty election system), protected human rights (include survival, education, health, employment, and political participation), and the free

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\(^{12}\) “President of Mongolia: Mongolia has not yet decided to become a full member of the SCO”, Global Network, August 19, 2014 http://world.huanqiu.com/exclusive/2014-08/5110839.html.

market economy. 14 Mongolian scholar Mundi Jegorsaikhan believes that, “Mongolia is the only country that can confidently declare itself as a democratic government among the communist and post-communist countries. Compared to other countries, Mongolia’s democratization process was more stable and peaceful.15

The political system and practice of SCO members has been viewed as authoritarianism pattern by western countries, which is inconsistent with Mongolia’s identity of a democratic state. Some scholars said that, the emphasis on internal stability by SCO members actually undermines improving democracy effort. For example, an anti-government activity such as “color revolution” has been widely considered to be destructive internally and has connection with the "three forces". In addition, the diverse narrative pattern of SCO states has a similar purpose; it views the outer criticism on the internal governance structure of the SCO member states or the activities of democratization in the Central Asian region by the external forces as illegal.16 This is quite different from Mongolia’s identity as a democratic state. Compared with other international organizations, the OSCE and SCO have a more clearly defined normative agenda. However, the OSCE has not achieved its goal of socialization in Central Asian countries, but democracy has achieved in Mongolia, such comparative fact makes Mongolia still skeptical about SCO’s promotion of

authoritarianism. Besides, the democratic identity reflects a large difference in values and ideology, which has largely hindered the bilateral exchanges between Mongolia and SCO members in Central Asia. Some Central Asian scholars have pointed out that, although Mongolia’s official statements declared that it will not cut off ties with socialism and authoritarian states, but it has not put more diplomatic resources to develop bilateral relations with these countries either; actually it mainly focuses on develop relations with major democratic countries such as the United States and the European Union. Mongolia believes that, too close to these politically centralized countries of Central Asian will make the western countries questioning Mongolia’s democratic values.¹⁷

Secondly, joining the SCO is inconsistent with the overall diplomatic layout of Mongolia. Mongolia's foreign strategy can be summarized as a “balanced diplomatic strategy”, characterized by the "multi-point" foreign policy and the "third neighboring countries" tactics, which aims to creating a good external environment. Under such circumstances, firstly, Mongolia has doubts about whether the SCO will develop into a military alliance. Although the SCO has repeatedly stressed that it is not an "Oriental version of NATO", but due to fear that the SCO will evolve into a military alliance in the future, Mongolia has been taking an active part in the SCO meanwhile keeping some distance from it. Secondly, Mongolia worries that the SCO’s position deviates from its “third neighboring countries” strategy. In particular, it fears that joining the SCO will affect its relations with the United States and other Western countries, thus

¹⁷ Li Chao, Yang Shu: Why Does Mongolia Still Not Seek Full membership of the SCO?, International Outlook, No. 1, 2015, p. 85.
breaking the balance between China-Mongolia relationship and Russia-Mongolia relationship.

In terms of foreign policy, firstly, on the historical perspective, Mongolia has not participated in the creation of SCO. Secondly, in the current situation, the issues Mongolia is facing (such as drugs, smuggling, and human trafficking), are unlikely to be fully solved by joining the SCO. Thirdly, Mongolia’s priority of foreign policy lies in the European Union, the OSCE, the World Bank, and the European Revival Bank. As for future development, Mongolia join in the SCO does not consistent with the long-term direction of development, while the cooperation between the western international organizations and Mongolia is longer, more extensive, and more profound. Lastly, in terms of diplomatic layout, considering Mongolia’s historical background, geopolitics, geographical environment, economic and trade contacts and needs, and more importantly, the country’s opportunities for future development, Mongolia finally chose Northeast Asia as its priority. Although Mongolia and Central Asian countries are similar in geography, culture, and history, but they are not closely related in various fields. Among the five Central Asian states, Mongolia has only developed a bilateral relationship with Kazakhstan. The economic and trade relations between Mongolia and Central Asia are mainly between the western provinces of Mongolia and the eastern states of Kazakhstan. Besides, the cultural exchanges between Mongolia and Central Asian countries are also limited.18

In conclusion, currently there are inadequate research on the relationship between Mongolia and the SCO. Future research is suggested to focuses on the national identity and recognition, and

18 Regarding the detailed discussion that Mongolia’s choice of not joining the SCO is inconsistent with its diplomatic arrangements, please see Li Chao and Yang Shu: Why Mongolia is still not a member of the Shanghai Cooperation Organization, International Outlook, No. 1, 2015.
analyses how the national identity influences its relationship with the SCO. The identity recognition perspective has important significance both theoretically and practically. In terms of theoretical significance, in the past 20 years, the Chinese scholars mainly focused on Mongolia’s diplomatic relations with the United States, Russia, Japan, and other countries, while the research on Mongolia’s relations with the United Nations, the European Union, the OSCE, and other international organizations is almost blank. Until now, only two articles on the relationship between Mongolia and the SCO. Although the identity recognition to international organizations has attracted some scholars’ attention, but it is still far from enough.

As mentioned above, it is important to analyze the reasons why Mongolia has not applied for membership of the SCO by combining the international relations with Mongolia’s identity recognition to SCO. Of course, analyzing this issue from the perspective of national identity does not negating the explanatory factors at other levels, but rather complements and perfects other interpretation paths. In practical terms, Mongolia and China are close neighbors to each other, and the “Belt and Road Initiative" has received a positive response from Mongolia since it was proposed.

19 The only two papers on the relationship between Mongolia and the SCO in China’s academic community of international relations are: Bao Erle: "Research Work of SCO and Mongolian Relation", June 2009, master's degree thesis of Central China Normal University, Li Chao and Yang Shu: Why Does Mongolia Still Not Seek Full membership of the SCO? The research on Mongolia’s current situation in China’s academic community of international relations, please refer to Xia Anling and Wei Lisu, “A Summary of Studies on Mongolian Issues in the Chinese Academic Circle in the Past 20 Years”, Contemporary International Relations, 4th issue, 2013.

20 “The Institutional Identity of Regional Organizations, Or Mercosur’s Identity Crisis,” p.116-117.
In August 2014, during Xi Jinping’s visit to Mongolia, the two parties jointly issued the “Joint Statement on Establishing and Developing a Comprehensive Strategic Partnership between China and Mongolia”, which opened up a new phase in the development of China-Mongolia relations. In September 2014, during the SCO Dushanbe Summit, Xi Jinping proposed the establishment of the China-Mongolia-Russia Economic Corridor, to integrate Russia’s “Euro-Asian Continental Bridge” and Mongolia’s “Grassland Silk Road” with “The Belt and Road” construction. In this background, Mongolia enjoys an important position and role in the construction of “The Belt and Road”, both economically and politically. As an important platform for "The Belt and Road" strategy, the SCO plays a positive role in the future development.
Post-Western World Orders and East Asian Future

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Abstract
The paper investigates the main macro-political trends at the international level. After reviewing the conceptual maps of international politics and the various future scenarios for globalisation, the paper examines the three main world order arrangements that could emerge in the coming decades. These are derived from the current distribution of power at the international level and from current trends, and are extrapolated as possible future developments. These eventualities involve the four major powers in the world to come: China, the European Union, Russia, and the US.

The international system will most likely pivot on the interaction between the declining hegemon, the US, and the emerging power, China. It is with reference to such interaction that we need to envisage possible future world orders. It is clear that the other remaining powers, not to mention other countries, will have to strategically adapt to the behaviour of these two superpowers.

Many see the relative decline of the US and the growth of China as setting the two on a collision course. It is
difficult to predict whether a real armed conflict will occur between the two superpowers. There are significant balancing dynamics between the two countries; first and foremost is their economic interdependence. What can be affirmed more easily is that there will be a continuous, if not growing, tension between the two. As outcomes of this tension, three main scenarios of world order can be drawn.

World Order One: The West vs. the Rest. In this scenario, tension remains a central feature, which polarises the world in a new bipolar system. The EU is pulled towards, and even more greatly integrated within, the transatlantic community, while Russia follows a similar trajectory within a Sino-centric Asian community.

World Order Two: Eurasian Integration and US Solitude. In this scenario, a process of inter-regional integration is promoted by China and accepted by both Russia and the EU. The Eurasian mass is progressively integrated within the largest economic area in the world. All other regional aggregations suffer a strong pull effect. The US and the American continent at large goes adrift in geopolitical solitude, generating inward-looking isolationist stances.

World Order Three: Enlarged West vs. China. In this scenario, the West remains predominant, China is more and more isolated, and Russia is pulled back towards Europe and the larger transatlantic community.

In the last part of the paper, the implications of the three scenarios drawn concern for East Asia.

**Keywords**: World Order, USA, RPC, EU, Russia, IR, Globalization, Multicentrism
1.1 Theories of international order

A classical understanding of international order sees it as a system of settled expectations (Bull, 1977). In Bull’s view, order has little in common with the notion of justice. It is, exclusively, a set of mechanisms that enable a group to interact smoothly. Of course, the mechanisms that generate these settled expectations vary depending on the specific circumstances of the political group in question. At the international level, a number of different order-generating mechanisms have been identified in line with major theoretical perspectives. While realists tend to find the origins of such mechanisms in the mere distribution of power, liberals include the added value of the institutional framework as a mitigating factor, and constructivists point to inter-subjective constructions in terms of shared understandings.

Realists identify two key mechanisms generating stability in the system: the balance of power and hegemonic stability. Whereas the first entails a balanced distribution of power (Waltz 1979), the second identifies the source of international stability in an uneven distribution of power, balanced in favour of the hegemon (Gilpin, 1987). Liberals identify the following three elements as key mechanisms for stability in the international system: democratic peace, through which the spread of democracy decreases the likelihood of war (Doyle, 1986); complex interdependence, through which the increase in international and transnational exchanges brings about stability (Keohane & Nye, 1977); and finally, institutionalism, through which the creation of common institutions yields the promise of stability because it distributes the payoffs of reduced transaction costs and increased chances of cooperation due to the presence of a common authority able to solve conflicts and impose sanctions (Keohane, 1984). Constructivists provide a twofold reading of current reality. On one hand, they see the consolidation of common narratives, shared
principles, and ultimately, individual mindsets, caused by processes of transnational homogenisation, the key order-generating mechanism in an age of global politics (Wendt, 2003). On the other hand, however, they also take into account the endlessly competitive nature of (international) politics. In the same way, they also point to the continuous competition for legitimacy in the world order, especially in times of (re)emerging powers and increased assertiveness by non-Western powers.

The debate on world order in the second half of the twentieth century and the beginning of the twenty-first has been driven by these different theoretical underpinnings. The current debate on world order re-emerged with the end of the Cold War. However, the discussion had not been abandoned during that period. There were interesting contributions, but they remained on the fringe of the political and academic debate (Cox, 1987; Falk & Mendlovitz, 1966). An influential exception was the classic work by Bull (Bull, 1977) and later, the study by Suganami (Suganami, 1989), which opened up the subsequent debate in the 1990s. The post-Cold War debate in the 1990s was lively. It centred on the growing phenomenon of global governance (Archibugi & Held, 1995; Czempiel & Rosenau, 1992; Slaughter, 1997) and its alternatives (Huntington 1996). With the new millennium, 9/11, and an increasingly evident power shift, the debate intensified towards the present day (Bremmer & Roubini, 2011; Buzan, 2011; Fabbrini & Marchetti, 2017; Ikenberry, 2011; Khanna, 2011; Kupchan, 2012).

We must add that since the beginning of the 2000s, IR theory in general, and debates of world order in particular, have been confronted by what could be defined as a ‘non-Western turn’ in global politics. This means scholars from non-Western countries and what was once called the ‘Third World’, repeatedly called for a growing inclusion coming from non-Western realities about IR
Theorizing. In this stance, they recognize the fact that the dichotomy between the “West” and “the Rest” has always been problematic. However, such scholars believe that to talk about a ‘Global IR’ still rests among one of the greatest challenges of IR to truly become a global discipline. Even more, they argue that to recognize the place or contribution for the world order of the non-Western countries is not the same as to recognize their positive agency, that is, seeing them as active ‘subjects’ rather than passive ‘objects’ in international politics (Acharya 2018). In this light, ‘pluralism’ is also often considered as the missing link between Western and non-Western academia, but IR scholars should become aware that it represents the only way to legitimize the production of systemic knowledge of IR theories (Qin 2018).

1.2 Powershift: from the cold war to multicentrism

Today, the debate on world order is intense (Marchetti, 2016). As is always the case in moments of transition, the global restructuring of international affairs is generating profound reflection on how the world is being, and should be, re-organised. After the long period of the Cold War and the following decade marked by American unipolarism, the world has entered the new millennium amid major shifts.

The relative decline of the US, the crisis of the EU, the consolidation of the BRIC countries, and the diffusion of power to non-state actors all constitute significant demands for a new conceptualisation of the rules of the global game. The US has emerged from its unipolar period rather weakened. Economically downgraded, wounded by 9/11, and diplomatically debilitated by multiple failures, including Afghanistan, Iraq, Libya, Syria, and Ukraine, but the US still retains a degree of global leadership. The EU, after a period of ambitious self-promotion, is now at a serious impasse. The economic crisis has generated political weakening.
Internally, the once solid liberal consensus has opened up to a much more pluralist debate within the EU, but this has also allowed populist parties to become significant actors in European politics. Externally, the EU is unable to address crises both to its east and south. In the BRIC camp, China is increasing its economic, military, and political power. Brazil and India are reaffirming their regional, quasi-global, power. Russia is proving an obstacle to many Western projects. The Islamic world is in turmoil, with the Sunni-Shia cleavage dividing numerous countries and generating regional instability. Finally, globalisation has generated abundant opportunities for non-state actors to play a significant role in international affairs. From classic intergovernmental organisations to standard-setting bodies, international non-governmental organisations to multinational corporations, criminal organisations to terrorist networks, the world seems a level playing field for these non-state actors.

With the end of the Cold War and the fall of the Berlin Wall in 1989, the world entered a period of unmatched unipolarism that lasted for almost two decades and was marked by growing global integration. The 1990s began with the first Gulf War and were later shaped incisively by the two Clinton presidential terms. A number of significant events occurred in this decade, including the war in Yugoslavia (1991-5) on the security front, the creation of the WTO (1995) with Chinese membership in 2001 on the economic front, and Russian membership of the Council of Europe on the political front. All in all, the world moved clearly towards global integration under uncontested American leadership. From 2001 on, however, the path of global integration came into question. Most acutely, the terrorist attacks of 9/11 posed a challenge to unrivalled American leadership. In a very different form, but equally challenging, was the creation of the World Social Forum in Brazil as a place of radical contestation from below.
Under George W. Bush, the US entered into two conflicts in Afghanistan (from 2001) and Iraq (from 2003), both of which remain open and have generated numerous controversies. On a more institutional note, the creation of the Shanghai Cooperation Organization in 2001 marked the first major institutional divergence from the universal multilateralism led by the West which dominated the 1990s.

2008 can arguably be considered a turning point for the international system. A systematic change seems to have begun in 2008 which is slowly pushing the world order towards a more multipolar or multicentric model. The American economic crisis, which began in 2007 but erupted in 2008 with the Lehman Brothers bankruptcy, weakened US status at the international level. The EU followed a similar pattern a few years later. Precisely when the West was experiencing these moments of weakness, a number of other major powers became more assertive and confrontational towards the Western international system that had dominated the scene after 1989. As a consequence of the crisis, in 2008, the first G20 heads of state meeting was organised in Washington with the intention of tackling the economic crisis by bringing in the emerging economies. The G8 was no longer seen as an adequate means of properly addressing this major instability. In the same year as this institutional revolution, the (re)emerging powers asserted their role in world politics in other ways too. Russia intervened militarily in Georgia to reassert its influence in its immediate region. China organised the Olympic Games in Beijing to assert its return to the world stage.

The world after 2008 looks like a world in which the project for single global integration in political, economic, and security terms is ever further away, and instead, regional fragmentation and West vs. BRIC tension has been accentuated. Regional blocs increasingly seem to be in competition: the Eurasian Customs
Union was created in 2010 as a barrier to the European Union’s power of attraction and as a further response to the flashpoints in Ukraine, Georgia, and Armenia. Inter-regional trade agreements were signed (TTP, 2015) and are being negotiated (TTIP) as a substitute for the multilateral WTO rounds and as a way of re-establishing Western leadership by systematically excluding the BRICs from the negotiating table. New financial institutions were created—the New Development Bank (formerly, the BRICS Development Bank) in 2014, and the Asian Infrastructure Investment Bank in 2015—which alter the US-centrism of the world economy. Finally, huge infrastructure projects such as the Chinese One Belt One Road initiative (OBOR) aim to connect the entire Eurasian region within a single platform while excluding the US.

In this pluralist and changing context, a number of different scenarios are materialising. A summary of the various scenarios is provided by Joseph Nye, using a chessboard metaphor. According to Nye, the best way to think about international politics is to conceive of it as being played simultaneously on three chessboards. On the first chessboard, the military one, the system is unipolar, with the US firmly ahead of its rivals. On the second chessboard, the economic one, the system is multipolar, with the US this time having to share power with the EU, China, and the other big economic powers. Finally, on the third chessboard, the mixed one, the system is a-polar, with power spread on a transnational scale. On this last chessboard, the players are many and among the great powers, only the US and the EU have the necessary skills to influence the game, thanks to their ability to forge synergies with non-governmental actors (Nye, 2004).
1.3 Maps and models of international politics

Our mental map of international politics tends to see the globe as a jigsaw puzzle composed of around 200 tiles. To be more precise, we conceptualise the world as comprised of 194 states, the official members of the United Nations. From this point of view, in order to understand international politics we have to observe the behaviour of the states, which we take as the international system’s unit of analysis. This state-centric worldview derives from the Westphalian system and the intellectual dominance of realism. Throughout history, however, the perception of the international system’s nature has not always been like this. Before the Westphalian system, the world was seen as divided between large supranational empires with history as the product of their interaction. During the Cold War, the mental map of international politics was essentially based on only two tiles, the two blocks, capitalist and socialist, with Washington and Moscow as capitals, plus the ‘third world’ of non-aligned countries which had a truly marginal position.

From the 1980s until the 2008 financial crisis, many commentators argued the global jigsaw had eight pieces, the member states of the G8. The global north, ‘the West’, no longer guided the world by colonial control but through economic leadership. More recently we have come to realise that those eight states are no longer able to govern the world alone and as a consequence, the map has been widened to include a number of countries in the global south, primarily the so-called emerging powers. The meetings of the G20 have institutionalised this geostrategic enlargement.

Since the 1990s, Samuel Huntington has argued, however, that the real jigsaw of world politics is not made up of 194 pieces, or even two, eight, or 20 pieces, but rather has nine macro pieces which he calls civilisations (Huntington, 1996). Accordingly,
history today is decided by the interaction of nine macro-regional areas: 1) a Western area, which includes North America (without Mexico), Western Europe, the Philippines, Australia, New Zealand, and Papua New-Guinea; 2) an Orthodox area, which runs from Greece to Russia, taking in Kazakhstan and Bosnia-Herzegovina; 3) an Islamic area, stretching from Morocco to Indonesia, passing through Albania, including Sunnis and Shiites, but without a lead country; 4) an African area, including all the sub-Saharan countries; 5) Latin America, from Argentina to Mexico; 6) a Hindu area, centred on India; 7) a Sinic area, centred on China, excluding Tibet but including Vietnam and the entire Korean peninsula; 8) a Buddhist area, with Tibet, Mongolia, and other countries in Southeast Asia; and finally, 9) Japan on its own.

The outlines presented above are linked to a number of models for the international system that suggest different distributions of power. A classic model—in the terms of the last twenty years at least—is that of American unipolarity, by which the world continues to be led by the US as the unchallengeable military, economic, and thus political power. This kind of interpretation represents a traditional and widely held view across the US government. According to this perspective, the US is destined to guide the rest of the world, given its exceptional nature as the ‘shining city upon a hill’, which gives it a role of responsibility towards the rest of the international community. We find this vision embedded among both Republican (Bush, 2002) and Democrat (Obama, 2007) readings of US world leadership, but it also widespread among scholars (Kagan, 1998; Krauthammer, 2003) and found in many official documents (Department of Defense, 2012).

A second much-discussed model is the so-called G2, between the US and China, whereby the two superpowers confront each other in an atmosphere of increasing rivalry and the destiny of the
international community depends on the resolution of this competition. According to the most accredited data, in aggregate terms the Chinese economy is destined to become the largest in the world, having already surpassed the Japanese economy in 2010. The US, after a long period of global economic primacy, is thus doomed to relinquish the top position in favour of the (re)emerging power, China, which accounts for around 23% of global GDP, exactly the position it had before European colonial expansion. According to American liberals, this change in economic leadership will not destabilise the international system because existing international institutions are sufficiently robust to face the change while forcing the new leader to accept the current rules (Ikenberry 2011). American realists, however, think the United States will continue to be the hegemon, but if it did decline that the international system as we know it would change radically, insofar as it is the byproduct of power distribution (Kagan 2012). From the G2's perspective, much will depend on the kind of relationship that will be established between the US and China, be it cooperative and win-win, or competitive and zero-sum.

A third model is a tripolar system led either by the US, the EU, and China, economically, or by the US, China, and Russia militarily. From this perspective, the logic of the old US-EU-Japan triad would see China take the Asian role, but would remain substantially unaltered, with most of the world’s economic and political interactions taking place among the three macro-regions, with their imperialistic features (Khanna 2008). In military terms, the EU would be submerged within the transatlantic alliance and make way for Russia as the third key pillar in the triad.

A much-discussed model is that of a multipolar world in which, alongside the US and the EU, emerging economies consolidate their position, especially the BRIC countries, i.e., Brazil, Russia, India, and China, with the addition of South Africa. Other
countries with considerable economic weight could also exert influence, such as the MIKTA countries: Mexico, Indonesia, South Korea, Turkey, and Australia. In this model, the world is moving towards a roughly balanced, if unprecedented, model of power, because for the first time for several centuries, Western countries will have to share power with other countries from the global south.

There is then a fifth model: the a-polar world (Avant, Finnemore, & Sell, 2010; Haass, 2008; Hale & Held, 2011; Khanna, 2011, Marchetti, 2009). This is a world in which power is spread between multiple players, included non-governmental actors. This is a world strongly molded by globalisation, a model that rejects realist state-centric exclusivity. From this point of view, the best conceptual map to guide our understanding and actions in the global age is much more complex than the previous six maps we have examined. On one hand, the state as a unitary actor is seeing its central role wane in favour of a disaggregation into sub-state authorities with increasing transnational agency (Slaughter, 2003, 2004). Transnational governing networks are acquiring ever more importance: courts; public authorities; inter-parliamentary assemblies; and central banks are all increasing their cooperation with international counterparts. On the other hand, there is an increasing number and range of non-governmental actors demanding inclusion in the international decision-making process or directly acquiring authority, expertise, and power to influence international affairs in parallel to and regardless of state authority. From international gatherings such as the World Economic Forum to global terrorist groups like Al-Qaeda or Daesh, from the philanthropic foundations such as the Bill & Melinda Gates Foundation to social movements such as the Movimento Sem Terra, to international NGOs such as Greenpeace and Amnesty International, to the Tibetan diaspora, from alternative media like
Wikileaks to the stars of charitable work like Bono of U2, to the think tanks like the Council on Foreign Relation and investment banks like JP Morgan Chase, from the rating agencies like Standard & Poor’s to the major global media players like CNN, and new media like Facebook and Twitter, non-state actors are everywhere in global politics (Naim, 2013).

1.4 Scenarios of globalisation

In the most fervent hyper-globalist projects, the final step of humanity’s evolution coincides with a world system perfectly integrated in every way: a single global market, a single legal code and a global supreme court, and a single political-institutional system. Analytically, as far back as 1969, Deutsch stressed that “societal borders dissolve when there is no more critical reduction in the frequency of social transaction” (Deutsch, 1969, 99). This is the goal numerous hyper-globalists would like to achieve. Are we on such a path? The answer is not straightforward. Whereas liberals argue that global integration is proceeding gradually but—at least for some—inexorably, for realists, the phase of integration that we are witnessing currently is subject to future change that will be shaped by the redistribution of power at the global level.

Liberals argue that the world in which we live is increasingly integrated and that this is generating significant benefits for humanity in terms of—in the final analysis—reducing the likelihood of armed conflicts. Trade, and economic interaction more generally, is constantly rising and because of this, the cost-benefit-analysed irrationality of war increases. International institutions, both those which are classically intergovernmental and other hybrid or private institutions of global governance, are increasingly more robust and omnipresent. Intrinsic distrust of international affairs is diminishing thanks to repeated interactions in institutional contexts. Finally, the specific form of
democratic government is spreading and this, according to
democratic peace theory, will lead to the pacification of the
international environment.

In parallel to progressive economic integration, we are also
witnessing the increasing difficulties faced by national political
structures in tackling new global challenges. The interpretations
of this phenomenon are numerous: for the most radical,
globalisation marks the end of the state itself (Ohmae, 1995) or, at
least, the end of the social democratic era (Scharpf, 1997). Others
argue we are witnessing a retreat of the state (Strange, 1996) that
will make it residual (Cerny, 2010), and an impoverishment of
politics (Narr & Schubert, 1994) due to the so-called global trap
(Martin & Schumann, 1997). The logic of the global market thus
creates a state which is completely focused on competition (Hirsch,
1997), which leads, in turn, to a race to the bottom (Krugman,
1997).

Different understandings of the state have been formulated to
contradict these interpretations. Some still recognise a role for the
state within the phenomenon of globalisation. Others see global
transformations as a by-product of the very governmental action of
the great powers. For the former, the state would, in any case,
retain significant functions for deciding and implementing public
policies. National politics would exist to soften the effects of
integration as a kind of risk insurance, or at least to mediate
external pressures. Sovereignty would thus be spread across many
levels and among many institutions, but it would not be
completely lost, and citizens would still have effective tools to
determine their own lives. Another more accentuated statist
perspective is linked to hegemonic stability theory, which sees the
current state of globalisation as the product of recent decades of
US hegemony, just as the period of global integration of the end of
the nineteenth century and the start of the twentieth century were
linked to the hegemonic power of the British Empire. Globalisation, or globalisations plural, is here a product of hegemon, but states which decide, more or less freely, to adopt the political direction of the leading country also benefit from bandwagoning. Globalisation, in this reading, is animated by an open dynamic, but precisely because of this characteristic, experiences tendencies towards instability, tension, conflict, and war because of the ambition of emerging powers to challenge the hegemon’s leadership. This was Germany’s story before World War One and World War Two, and this, according to some, is the destiny of the new emerging power, China. If this interpretation is correct, the signs of the decline of American power suggest a worrying outlook.

In short, there are six different scenarios for the future of globalisation spurring contemporary debate. The first liberal scenario sees globalisation as an unstoppable movement, in regard to which emerging powers should strategically adapt, ultimately by way of Western liberal-democratic values. Globalisation would thus be destined for constant growth, albeit not necessarily at an increasing pace, and will only reach its end when it has achieved complete integration.

The second liberal scenario forecasts that once a certain physical line has been reached, beyond which it is difficult to go, globalisation will slow down or even halt, so as not to risk the results of the integration achieved so far. A self-controlling socio-political mechanism that would impose correction on integrationist forces would be activated in order to mitigate globalisation’s social costs.

The third scenario, of a more critical liberal nature, is based on the idea that the processes of globalisation are not governed and thus cannot be stopped voluntarily: they will continue to accelerate until the social costs become unsustainable and they will give political space, in keeping with a dramatic dynamic of self-
consumption, to the emergence of nationalist, anti-systemic, or regionalist forces which will overturn the logic of integration in favour of a return to nationalist barriers and isolationism.

A fourth realist scenario argues similarly that the future is bound towards compartmentalisation. From a geopolitical point of view, although it may be true that transatlantic globalisation has offered opportunities for political growth and economic emancipation to emerging powers, it is, however, increasingly evident that this imbalance of power between West and East seems to have placed the ability of the system to hold together in doubt. It also suggests a return to a compartmentalised logic of a multipolar balance of power on a macro-regional basis, with potentially conflicting developments.

The fifth realist scenario argues that the process of globalisation will go on, as it has always done, in cyclic waves, with ups and downs: a phase of global integration will be followed by a phase of nationalist or macro-regional fragmentation, which will probably be ended by a conflict setting the basis for the construction of another future cycle of expansive globalist integration.

The sixth scenario is constructivist in tone, and presents a less well-defined image: it points neither to a shrinking or to a preservation of global dynamics, but to their transformation. From this perspective, which is related to the idea of multiple modernities, the current level of supranational integration will take different paths from those that are today imposed by the West: this will see the formation of new hybrid modalities inspired by previously marginalised non-Western politico-cultural traditions. It is in this scenario that the consolidation of emerging power status will not necessarily lead to a phase of conflict over a new global hegemony, but rather to the formation of differentiated areas of development, some of them governed according to
principles that are alien to the West. This could lead to a world of differentiated capitalism, albeit with features of a single, globally decentralised system (Buzan & Lawson, 2014).

1.5 Three world orders

After reviewing the conceptual maps of international politics and the various future scenarios for globalisation, it is now time to examine the three main world order arrangements that could emerge in the coming decades. These derive from the current distribution of power at the international level and from current trends, and are extrapolated as possible future developments. These eventualities involve the four major powers in the world to come: China, the European Union, Russia, and the US.

The international system will most likely pivot on the interaction between the declining hegemon, the US, and the emerging power, China. It is with reference to such interaction that we need to envisage possible future world orders. It is clear that the other remaining powers, not to mention other countries, will have to strategically adapt to the behaviour of these two superpowers.

Trends for US power are controversial. A number of authors argue that the decline is significant and clear (Layne, 2012). Other analysts argue instead that the US is bound to remain the leader of the international system for decades to come (Nye, 2012). The economic weight of the American economy as a proportion of global GPD is not expected to change significantly. Similarly, US political and military power will remain very significant. What is changing is the diminishing edge the US has enjoyed vis-à-vis other powers. While the American economy will constitute slightly more than 20% of the global economy, other economies will expand and actually outgrow their US counterpart.
China’s growth is undeniable. Economically, China will become the largest economy in the world in the next few years. It already has the largest banking asset, the largest import-export gains, and is a leader in R&D. Militarily, Chinese growth is significantly reducing the gap with its American counterpart year by year. Socially and politically, China is becoming a magnet of attraction for an increasing number of countries and individuals around the world.

Many see the relative decline of the US and the growth of China as setting the two on a collision course (Allison, 2017). It is difficult to predict whether a real armed conflict will occur between the two superpowers. There are significant balancing dynamics between the two countries, first and foremost their economic interdependence: the US needs China to buy its treasury bonds, and China needs the US to buy its products. What can be affirmed more easily is that there will be a continuous, if not growing, tension between the two. As outcomes of this tension, three main scenarios of world order can be drawn.

**World order one: The West vs. the Rest**

In this scenario, tension remains a central feature which polarises the world in a new bipolar system. The EU is pulled towards, and even more greatly integrated within, the transatlantic community, while Russia follows a similar trajectory within a Sino-centric Asian community. Tensions increase between the US and China but do not reach the point of armed conflict. China is not ready yet for a military confrontation. The US could be tempted to crash the would-be challenger before it is no longer possible, however, a number of parameters suggest that any unilateral American military containment may be too late. Economic relationships, political groupings, and military alliances all tend to be polarised. As a consequence, the two junior partners,
the EU and Russia, are bound to align themselves with the two great powers. Economic pressure is developed through a revival of intra-regional blocs, protectionism, economic geopolitics, economic cyber warfare, and technological competition. Political pressure is exerted indirectly on minor allies and directly through attempts to discredit rivals within their local constituencies. Military escalation is visible in an arms race, a corresponding increase in the military budgets of the two countries and their allies, and the repetition of minor skirmishes in East Asia, especially in the South China Sea.

**World order two: Eurasian integration and US solitude**

In this scenario, a process of inter-regional integration is promoted by China and accepted by both Russia and the EU. The Eurasian mass is progressively integrated within the largest economic area in the world. All other regional aggregations suffer a strong pull effect. The US and the American continent at large goes adrift in geopolitical solitude, generating inward-looking isolationist stances. The US economy enters a stark decline, the country loses political leadership, and the military apparatus gets silenced. Domestic politics become fragmented, ethnic issues become dominant, and the territorial integrity of the federation is challenged with states such as California and Florida demanding independence. The tight grip of American global alliances weakens, and one after the other, former allies open up channels of communication and cooperation with the emerging hegemon. China’s power continues to expand, and its attractiveness continues to grow. The global narrative changes and becomes Sino-centric. A new Pax Sinica, with Chinese political and economic principles, is established. Eurasian integration develops significantly with promotion from Beijing. First ASEAN and African countries, then countries in central Asia, then South Korea,
Russia, and Iran all move towards deeper integration with China. Finally, the European Union, India, Japan, and the Gulf countries all enter the Chinese orbit. The US is isolated and barely manages to maintain its few ‘light’ anti-China alliances with individual countries in Latin America, Europe, the Middle East, and Asia.

**World order three: Enlarged West vs. China**

In this scenario, the West remains predominant, China becomes more and more isolated, and Russia is pulled back towards Europe and the larger transatlantic community. The enlarged West, now strengthened by the addition of a traditional rival, re-establishes its global leadership. China is relegated to the role of a regional power with no global ambition. The US is able to exert considerable pressure on China such that China actually gives up its international ambitions. Economic constraints, political pressure, and a number of minor military confrontations suffice to deter China from further developing its global ambitions. China is internally destabilised by domestic revolts that weaken its leadership and challenge its territorial integrity, especially in Tibet and Xinjiang. China is thus inhibited and only manages to preserve its autonomy on a regional base within East Asia. Under these tense circumstances, Russia is persuaded to give up its strategic alliance with China and to return to Europe and the broader Western world with the status of a junior partner.
1.6 Implications for East Asia

From the three previous scenarios of world order, a number of consequences can be derived for the specific political context of East Asia.

In the first scenario, World Order 1: The West vs. the Rest, the East Asia region is expected to continue to be splitter among two centres of gravity: USA and RPC. While a number of countries will remain starkly tied to the US and others starkly tied to RPC, the remaining countries will be the object of continuous offering to drop the competitor camp. Overall, we expect a significant number of countries to become more reliant on, yet not necessarily satisfied with, China’s growing hegemonic ambitions in the region. This is because within a scenario in which tensions escalate between China and the West, and more precisely, with the United States, Beijing is expected to further try to consolidate its power and self-confidence in East Asia with the intent to construct an image of
China in the international order as the representative of Asian countries and non-Western nations.

In the last decade, Beijing’s more assertive foreign policy allowed China to consolidate its position in Asia, politically and economically. Since 2014, China has notably consolidated its military position in the South China Sea. Between 2013 and 2015, the establishment of new initiatives, such as the AIIB or the Silk Road Fund, has grown in parallel with China’s consistent engagement with other multilateral initiatives in Asia, i.e., the ASEAN-led Regional Comprehensive Economic Partnership (RCEP). China, however, has gone much further than simply launching or supporting new initiatives in the region. The aspirations of Xi Jinping and its administration for China’s primary role in East Asia can be reassumed by the concept a “community of common destiny of mankind” (more often translated into English as a “community of shared future for mankind”). The phrase expresses China’s long-term vision for making the international environment congenial with its interests and governance model, within which countries in Asia stand as key players in order to support China to achieve this goal. Xi Jinping has embarked into a massive diplomatic mission with Asian countries from Cambodia to Laos, from Vietnam to Thailand, in order to support its long-term strategy. While promoting the Belt and Road initiative as a win-win opportunity to develop and consolidate traditional friendship and strategic cooperation among countries, Xi Jinping is also building consensus around the fact that China might represent the only viable alternative to let the XXI century really become the ‘Asian Century’. With countries in the north, such as Japan or ROK, China calls for a shared responsibility to promote cooperation for regional stability and peace. However, even if from an economic point of view promoting trade liberalization among the three countries rests a common
priority – at the end of 2018 the three countries held the 14th round of negotiations on the China-Japan-ROK Free Trade Agreement (FTA) – Japan and the ROK are not always satisfied by Beijing’s greater activism in foreign policy. For instance with Japan, disputes in the East China Sea are not set aside and notwithstanding the signing of the Japan-China Maritime Search and rescue agreement in October 2018, the two countries’ sovereignty dispute is still highly complicated.

In the second scenario, World Order 2: Eurasian integration and US solitude, the international relations of East Asia tend to be integrated into the wider Eurasian move, though as a secondary attachment. In such a vision, China can be expected to demand more influence in the international system with its major priorities resting mostly focused to the strengthening of its relations with Russia and the EU, rather than East Asian countries. While the international position of other countries in the region could become further jeopardized because of China’s intent to become a global leader, this at the same time might open new ‘windows of opportunities’ for countries such as Japan or South Korea, and regional organizations such as ASEAN in Asia to play greater roles in the region.

Since Xi Jinping took office in 2012, a key strategy to his foreign policy has been to envision China as a ‘global actor’ in world affairs. More practically, three major priorities concerned Xi Jinping’s vision to build China’s role in the XXI century. First and foremost, it is Beijing’s long-term vision for transforming the international environment to make it compatible with China’s governance model and emergence as a global leader. Secondly, it is the focus on the establishment of ‘a new type of international relations’ that supports, rather than threatens, China’s national rejuvenation. Last, but not least, is the fact that Xi Jinping has made a crucial progression from his predecessors’ rhetoric (from
Deng Xiaoping to Hu Jintao), proposing China to ‘take an active part in leading the global governance system’ (Tobin 2018). Within such a context, East Asia is not a main or the sole priority of China’s foreign policy.

Amid uncertainty in the light of a consistent ‘pivot to Eurasia’ by China, Japan, for instance, could become a crucial actor on the regional stage. Since the end of the Cold War, Japan’s role in Asia has been challenged by China’s rise. Nonetheless, Japan has so far managed to continue to strengthen its role in Asia: by creating strategic partnerships with Australia and India; by leading a multilateral trade negotiation, the Comprehensive and Progressive Agreement of the Trans-Pacific Partnership (CPTPP) following the failure of the original project, the TPP, and the US withdrawal. In this scenario, further cooperation between Japan and South Korea rests a common priority.

In the third scenario, World Order 3: Enlarged West vs. China, East Asia appears more supportive of what could still be defined as a Western-led international order, notwithstanding China’s regionally circumscribed power. If China abandons or fails its global ambitions, regional-only priorities guide its foreign policy. These could not be driven by hegemonic intents, rather by security and economic priorities: internal turmoil and Party’s survival along with the continuing decline of Chinese economic growth could be the main interests of future generation leaders in power. In this scenario, Japan and South Korea still maintain their role as key allies of the United States in Asia and the Pacific. Furthermore, with a less-ambitious China, ASEAN’s position in Asia is also expected to change. Since the 1990s, ASEAN’s role has been particularly successful in leading multilateral initiatives in the region, i.e., ASEAN Regional Forum, ASEAN+3, the Chiang Mai Initiative, etc. However, the majority of these initiatives have been developed in the shadow of a rising China and its growing
hegemonic role. The multilateral organization, founded in 1967 with the aim to counter-balance the communist threats in the region, could finally sit in the ‘driver’s seat’ and play a leadership role in East Asia without worries of seeing its interests and initiatives overshadowed by an increasingly assertive China.

1.7 Conclusions

The world is entering a phase of significant geopolitical shifts. With the end of the Western world order that has dominated the last three decades, the international scene has become more pluralist and complex. Traditional American leadership is challenged by a number of increasingly powerful competitors who have growing international ambitions. We argue that four main actors will play the game of global politics: China, the European Union, Russia, and the US.

In this would-be multipolar order, the strategic dynamics would be sophisticated, more difficult to predict than at present, and more unstable. Give the presence of these four actors and given current trends, three main world order scenarios can potentially come to pass: the West vs. the Rest; Eurasia vs. the US; and the enlarged West vs. China. These have varying degrees of probability. From an analytical point of view, consideration of each eventuality is crucial in order to develop strategic thinking for the future. In this light, the East Asia region rests a vital context through which to analyse future scenarios of world orders. It is true that China’s growing hegemonic position in the region could overshadow some countries’ role in Asia. However, to what extent China’s interests are driven largely by regional intents seem hard to predict. Xi Jinping’ ambitions for a ‘Global China’ are strengthening interregional integration processes and particularly, Eurasian integration. In such a scenario, Asia is not yet ‘ripe for rivalry’ (Friedberg 1993). Rather, with the declining US in the
West, the real competition concerns the Eurasian region, which necessarily would have to deal with an alternative development model, but for many, still not suitable outside China’s borders. To some extent, China has not yet found its ‘place in the sun’ vis-à-vis the current world order. The emergence of a global China will help East Asia obtain a key role in the global society.

References


Helping Friends in Need or Helping Oneself? The Case of China’s International Disaster Management Policy in the 2010s

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Abstract
This article analyzes how the People’s Republic of China engages in international disaster management (IDM). The paper sets out to answer especially the question of how these activities benefit its own disaster management capabilities. In order to answer the question, the study analyzed public archival materials of news reports concerning China’s bilateral and multilateral IDM activities between May 2013 and May 2018, retrieved from the China National Commission for Disaster Reduction’s online database. This data was analyzed quantitatively and qualitatively. The article argues that Chinese IDM engagements are active and have a global reach, but are at the same time selective in their nature. The PRC uses IDM to position itself as a “leading developing country” through its active IDM engagements with other developing countries, while at the same time also seeking to benefit from developed countries’ disaster management know-how and
accepting humanitarian aid only in case of large natural disasters.

**Keywords:** International disaster management, Humanitarian aid, China

The way states engage in humanitarian aid and disaster relief (HADR) and international disaster management (IDM)\(^1\) has been studied from a number of perspectives. Several studies in the field of international relations have focused on what is called disaster diplomacy, where inquiry typically asks what the relation is between disasters and inter-state or intra-state conflicts.\(^2\) Another line of inquiry into IDM has investigated the motivations for overseas development aid (ODA), wherein HADR activities are often included. These studies have found a number of determinants for providing aid including such matters as a common colonial past, political alliances, regional interests, recipient country size, oil exports of the recipient country, and geographical proximity. Furthermore, donated amounts do correlate with the severity of the disaster and the decisions of

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\(^1\) International disaster management refers to the measures governments or private actors take in international setting to prevent and mitigate the impacts of disasters and rebuild after them. Humanitarian aid and disaster relief refer more narrowly to immediate emergency and stabilization activities when disasters occur. HADR activates are therefore part of IDM activities.

other major donor countries to donate.\textsuperscript{3} Other factors include the recipient’s strategic importance to the donor, and economic potential, as well as the recipient’s cultural similarity, ideological stance, region,\textsuperscript{4} or even donor country’s size.\textsuperscript{5} As for China, the PRC ODA has been accused of being ‘rogue aid’\textsuperscript{6}, which discards OECD DAC standards and props up dictatorships around the world. However, more recently researchers have argued that China’s motivations for providing foreign aid do not differ from those of Western donors,\textsuperscript{7} while others have pointed out that China at least frames its ODA activities in a different way than, for example, its East Asian neighbors Japan and South Korea, by terming its aid as ‘South-South Cooperation’ and as ‘mutual help among developing countries.’\textsuperscript{8}

More recently, a number of approaches have been added to the study of IDM, such as comparative analysis of national disaster


\textsuperscript{6} Moises Naím, Rogue aid, \textit{Foreign Policy} 159 (2007), 95–96.


management regimes, and the fashionable inquiries into the soft power of states, where the relation between disaster aid and its potential to build a positive country image has been the central focus. Also, China’s motives to engage in ODA have been argued to include not only gaining economic benefits, but also supporting China’s credibility as a responsible member of the international community and thereby enhancing its soft power. Notably, Chinese scholars have also become interested in soft power and the non-traditional diplomacy features of IDM.

However, existing studies in disaster diplomacy and ODA have some serious limitations from the point of view of studying disaster management policy. Equating ODA with HADR and IDM is problematic for a number of reasons. First, HADR requires disasters which are contingent phenomena, therefore, unlike underdevelopment, they cannot be calculated into bilateral relations beforehand, although countries may have policies on how to respond to foreign disasters in general. Second, disasters also occur in developed countries, therefore IDM has potentially wider uses than ODA. Third, HADR can be a relatively inexpensive way to build bilateral relations compared to long-term ODA commitments. Unlike ODA, HADR can also take place between hostile countries, in addition, emergency aid activities in

13 This is pointed out by Li Xiaorui, 中国对外道义主义援助的特点和问题, 《现代国际关系》2012 (2).
themselves are usually unconditional and do not provide opportunities for large commercial gains for the donor. Last, unlike ODA, IDM is often reciprocal activity whereby a country can improve its own disaster management capabilities. All these factors make HADR and IDM a related, but separate field to study from ODA.

Existing studies, whether they are about giving or receiving HADR\textsuperscript{14}, typically leave out how IDM can influence a donor’s domestic disaster management. This question is relevant since even if one accepts that international engagements in disaster management follow more general foreign policy goals and calculations of a country, such engagements do generate more than direct diplomatic gains only. This effect is visible in foreign aid in general. As, for example, Syed et al.\textsuperscript{15} argue in their study about development aid and health systems, developed donor countries also learn from their engagements with developing countries and can improve their own healthcare systems in the process. In disaster management, especially when it is about the interaction between friendly countries and issues that are technical in their nature, the foreign policy dimension of IDM engagements can arguably be remote, and sectoral policy motivations much more tangible. It is also clear that different bureaucratic actors are involved in making outbound HADR decisions and engagements that concern domestic disaster management (see below). Using China as its case, this article studies this dual logic of international disaster management by inquiring into the international dimension of an essentially

\textsuperscript{14} For the latter, see Travis Nelson, Rejecting the gift horse: international politics of disaster aid refusal, \textit{Conflict, Security & Development} 10, 3 (2010b).

domestic policy sector in order to understand what role the international plays in and for it.

While it is reasonable to assume that China currently engages in IDM to improve its own disaster management capabilities, this has not always been the case. Apart from some minor help from the Eastern bloc during the Great Leap Forward famine in 1959-1962, Mao-era disaster management forewent opportunities to receive international aid and relied on the principle of ziligengsheng, or doing things on one’s own. The first international disaster management engagements by the PRC as a recipient country were carried out as late as the early 1980s under Deng Xiaoping’s reform and opening-up policies, when China received Western relief aid for the first time after the 1949 revolution. At the same time, however, China did engage in HADR activities as a donor. From the 1950s to the late 1970s, China selected the recipients of its aid on ideological grounds. In the 1950s, China also helped a number of non-socialist countries such as India, but starting in the 1960s, China limited its aid to socialist countries only. After the reform era began in 1978, China’s HADR became less ideologically driven and more based on pure humanitarian considerations, and its geographic scope expanded notably.

A major impetus to further develop the international dimension of China’s disaster management came in the years 2003 and 2004 with the SARS epidemic and the Indonesian Tsunami, which were internationally shared crises that also claimed Chinese lives. Researchers observed that, after 2004, China

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17 Li, 中国对外人道主义援助的特点和问题; Kaibin Zhong, 中国对外人道主义援助的发展历程, 中国减灾 9 (2015).
began to build a systematic international HADR organization headed by the Ministry of Commerce, the Ministry of Foreign Affairs, and the Ministry of Finance, with support from other relevant units, such as the People’s Liberation Army (PLA). The Wenchuan earthquake in 2008 witnessed a major international relief operation towards the PRC with foreign rescue workers entering the People’s Republic for the first time ever.\(^\text{20}\) This further underlined the realization of the importance of disaster management in foreign policy. Probably caused by this experience, a formal inter-ministry foreign disaster aid governing system was established in 2008, leading to further activation of China’s outbound HADR.

The 2010s have witnessed increased IDM engagement from China. During this decade, China’s foreign policy has become more active and self-confident, yet China has been trying to keep the international community assured of its peaceful intentions. Improving its image, since 2010 China has been conducting a public diplomacy campaign aimed at improving the country’s image, creating positive feelings about itself abroad and thereby seeking to build its soft power.\(^\text{21}\) HADR has a role to play in this, too. For example, the Chinese Government White Paper on “China’s Peaceful Development” (2011) connected China’s

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19 Li, 中国对外人道主义援助的特点和问题; Zhong, 中国对外人道主义援助的发展历程


engagements in disaster aid to its rise on the international scene as a means to reassure the rest of the world of China’s peaceful intentions.

However, while China has become more active as an HADR donor, China is at the same time a country that frequently suffers from most types of natural hazards.\(^\text{22}\) Today’s donor can quite literally turn into tomorrow’s recipient, as was powerfully demonstrated during the Wenchuan earthquake in 2008. Engaging in IDM can therefore also be seen as a strategy to improve China’s domestic disaster management capabilities. An example of this can be seen in the *Common opinion from the Communist Party Central Committee and the State Council on promoting the structural reform of China’s domestic disaster management system* issued in 2017\(^\text{23}\). This policy paper has its own section on improving international disaster management cooperation as a way to improve domestic disaster management. According to the paper, international cooperation includes, among others, studying advanced international disaster management technologies and practices, strengthening multilateral international IDM organizations, improving international disaster management personnel training, and improving capacity to jointly respond to major natural disasters. The paper sees the United Nations (UN), Asian regional IDM structures, and China’s immediate neighborhood as the focus areas for cooperation in


improving China’s ability to respond to its own and other’s disasters.

**Research questions**

This study uses a method loosely based on the foreign policy analysis (FPA) approach. As its advocates note, the key question in FPA is the relation between domestic policy and foreign policy. However, the article does not try to explain Chinese foreign policy *per se* as a typical FPA analysis would, but instead analyzes the international dimension in China’s disaster management. The focus is, therefore, on the intersection of two policy sectors. Arguably, the well-documented existence of sectoral bargaining in Chinese policymaking just underlines the need to look at the domestic dimension of China’s IDM activities. As argued by Lai and Kang, foreign policymaking in China can be characterized as ‘bureaucratic bargaining among sectoral agencies’. As noted above, China’s HADR organization is headed by the Ministry of Commerce and its Department of Foreign Assistance (MOFCOM/DFA), the Ministry of Foreign Affairs, and the Ministry of Finance, with participation from other units, such as the People’s Liberation Army (PLA), and, more recently, the new China International Development Cooperation Agency (CIDCA) established in 2018. Before the April 2018 reforms and the establishment of the new Ministry of Emergency Management, the Ministry of Civil Affairs (MCA) and its China National Commission for Disaster Reduction (CNCD) had daily jurisdiction

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and the best technical expertise over China’s overall domestic disaster management policy, although the management system was also divided by hazard type. Moreover, the Chinese Red Cross, which has a central role to play in China’s in- and outbound disaster management, is basically a bureau within the MCA. All these actors, therefore, participate in drafting and implementing China’s IDM policy.

This article seeks to analyze China’s outbound and inbound IDM activities and how they serve China’s foreign policy and disaster management purposes. In order to answer this question, this article presents a case study on China’s IDM engagements between May 2013 and May 2018. The study analyzed public archival materials on news reports concerning China’s IDM activities during this period, retrieved from China National Commission for Disaster Reduction online database. The sample contained 1359 full-text news articles about disasters and disaster management activities during that period, of which 310 were about international engagements. These 310 news articles described 272 different cases of Chinese disaster management activities that had an international component to them. This data subset was read through and hand-coded based on a number of variables on the nature of China’s activities, and then used for a descriptive quantitative analysis, presented below.

The data must be regarded only as a sample of China’s central level state and disaster management authorities’ IDM activities during the period since it is reasonable to assume that not all engagements from this period were reported in the database, just the ones that touched the CNCD or its associated organizations.

For example, China’s memberships in different international humanitarian organizations, unless they were enacted during the period, fall out of the analysis. The sample tells who China’s central level disaster management experts see as important enough to interact with and on what kind of topics. The use of news articles has the notable advantage of enabling us to analyze how many concrete disaster management-related activities that had an international dimension took place during this period, with whom, and what kind. Through this, we can discern what Kaarbo calls “patterns rooted in discrete actions” of China’s IDM policy28.

In its conclusion, this article argues that the PRC uses IDM in its foreign policy to position itself as a “leading developing country”. In this role, China engages actively in donor activities towards developing countries. At the same time, China seeks to benefit from developed countries’ disaster management scientific know-how, but less from their material or financial assistance. IDM engagements are therefore used to reduce China’s own vulnerabilities to natural hazards through seeking to improve China’s disaster management-related technology and scientific knowledge. In this, China can be said to be acting more like a developed country, regardless of its developing country rhetoric. Below, the article goes through an empirical analysis of China’s IDM engagements, first by looking into their overall outlay in the period, and then looking in more detail into engagements from the point of view of China’s role as a donor and a recipient of assistance, as well as China’s engagement in reciprocal IDM exchanges. This is followed by a short conclusion.

28 Juliet Kaarbo, A Foreign Policy Analysis Perspective on the Domestic Politics Turn in IR Theory, 194.
Overall characteristics of China’s IDM engagement

A key variable used to classify China’s IDM engagements in this study was whether they contained donating, receiving, or exchanging disaster management-related services, goods and/or information. Overall, China’s IDM engagement had a clear emphasis on reciprocal exchanges. Over two-thirds of the cases (68.2%) could be classified as having this characteristic, while in 27.3% of the cases China was the donor, and in 4.1% cases a recipient.29 This can be read partly as a result of the observation period, which did not contain any major disasters in terms of the number of victims in China itself, although, for example, a number of floods, typhoons, and earthquakes did occur there each year. From this one can infer that China’s own threshold for asking for direct international relief aid seems to be rather high.

With whom does China then engage in its IDM activities? In the overall picture, 53.5% of cases involved partner(s) from developing countries, 30.6% of cases involved developed countries, while 44.6% involved international organizations,30 mostly the UN, which was somehow involved in 34.7% of all China’s IDM interactions in the sample. Chinese IDM activities can, therefore, be said to have a slight emphasis on developing countries over the developed ones. This is not surprising due to the higher number of developing countries, their societies’ higher vulnerability to natural hazards, and higher propensity to ask for disaster aid.31 Yet, with a further breakdown of the data shown below, the nature

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29 The shares do not add up to 100% because some of the cases could not be classified according to this scheme.
30 The percentages add up to over 100% because of the overlapping cases in the sample. Here the membership of the OECD was regarded as the criterion for the developed-developing country classification - apart from Mexico, Chile and Turkey, which are OECD members, but which OECD itself defines as “emerging countries”. http://www.oecd.org/about/membersandpartners/.
31 Nelson, Rejecting the gift horse.
of engagements is qualitatively quite different concerning the two groups of countries. Overall, as the figures indicate, Chinese IDM activities are rather extensive in their reach.

As for the types of disasters, 49.1% of the cases dealt with general disaster management issues not related to any specific type of hazard. As of the news articles where the type of hazard was specified, 18.5% of them concerned meteorological hazards, such as typhoons, and also climate change, which was increasingly mentioned towards the end of the observation period. A less, but still a notable number (6.3%) of engagements dealt with floods or hydrological hazard-related water management issues, and 9.9% with earthquakes. The rest of the cases dealt with other types of hazards and activities, such as smog, epidemics, forest fires, and search & rescue exercises. In general, China’s IDM engagements are directed towards general disaster management issues, but also emphasize hazard types of which it has its own experience historically.

At what point of the disaster management cycle does China then prefer to engage in IDM? 26.6% of cases were concerned with all phases of the disaster management cycle. In 29.2% of cases, the theme was only disaster prevention, while a further 15.5% combined this theme with emergency action. 22.5% focused solely on emergency and relief activities after a hazard event. Notably, only 1.1% of articles dealt exclusively with reconstruction. The latter phase is, of course, the most costly, least spectacular, and can drag on for a long time. China clearly prefers prevention and emergency help over reconstruction in its IDM engagements.

As for the type of engagement, there is a clear emphasis on disaster-related natural sciences and technological solutions. 39.5% of all engagements in the sample included mentions of disaster management technologies and natural science, and almost 1/5 dealt with remote-sensing and satellite technology. As
will become clearer in the closer analysis of the data below, these news articles were mostly about scientific conferences on disaster management-related issues where China was both receiving and promoting its own scientific achievements. Yet, China also emphasized technological solutions in many of the bilateral cases where it was a donor. Arguably, Chinese IDM seems to subscribe to the notion that natural disasters are something that should be tackled with natural sciences and technology first, and therefore the “scientization” of disaster management, as it is called by Hollis, is clearly visible in China’s IDM engagement. “Soft” topics, such as post-disaster psychological counseling, were almost missing (1 case out of 272) in the news articles.

**China as a donor**

The cases where China could be identified as a donor can be seen as cases that had high diplomatic value for China’s foreign relations, but low value for domestic disaster management. In 90.5% of these cases, the recipients were developing countries, and only 4% of cases reported Chinese reaction to a disaster in an industrial nation. China’s aid to developing counties consisted of 47.3% material aid, such as tents, blankets or radios; 39.2% cash donations; and 28.4% food aid. In 21% of cases, China dispatched a rescue team to help in the emergency. In addition, China trained disaster management personnel from developing counties (29.8% of cases) and provided those countries with helpful information; such as satellite data (21.6% of cases).

As for developed countries (mostly Japan), China’s ‘aid’ typically entailed sending official messages of consolation to the victims of disasters, therefore constituting only rhetoric action.

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Such international disaster talk can have political costs and benefits, but this type of aid does not bind its producer to anything and is virtually free to produce, unlike concrete relief aid which, according to this sample, China reserves for developing countries. During the observation period, the CNCD website also contained a number of news articles about disasters occurring in developed countries, but did not mention China’s action about them. However, similar news about disasters in developing countries was normally accompanied by news about China’s relief efforts in those countries. One reason accounting for this is that developed countries are less likely to call for relief aid through the UN or other channels than the developing countries are involved with, yet it is not unknown for a developed country to call for international help, such as the US after the Hurricane Katrina in 2004, Japan after the triple disaster in 2011, and Sweden during the great forest fires in 2018.

In terms of types of disaster, about 1/3 of China’s donations targeted countries that had suffered from meteorological hazards and disasters, mostly typhoons, 14.9% dealt with floods and other hydrological hazards, and 20.3% with earthquakes. Nearly 63.9% of China’s donor engagements during this period were about the emergency phase, while preventive action could be detected in 1/4 of the cases. Reconstruction was mentioned in 12.5% of the cases, usually in connection to the other phases of the disaster management cycle. China’s donor activities can, therefore, be said to be characterized mostly by emergency aid to developing countries in the types of disasters that PRC disaster management authorities also have experienced at home.

Geographically, a large part of the cases (39.2%) of China’s aid targeted Africa, but China was also notably active in its own

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33 Nelson, Rejecting the gift horse.
neighborhood, as 28.49% of its activities targeted its immediate neighbors, such as North Korea, Mongolia, the Philippines, and Vietnam, while a further 13.5% of cases targeted other Asian countries. The fourth largest regional target group was South and Central America, which was involved in 8.1% of the cases. It can be argued that China’s donor activities follow its general economic activity in different regions of the developing world, especially in Africa, while through its donor activities, China also tries to show its nature as a good neighbor to countries that share its border.

China is a member of a number of international humanitarian aid and disaster management organizations, such as the International Red Cross. However, this does not translate into active donor policy through them. Only in 5.5% of cases, China made a commitment of concrete assistance to a multilateral organization, such as providing a number of African countries with meteorological equipment through a WMO project to enhance African countries’ disaster prevention capabilities. However, it should be noted that in 27% of cases, the news articles mentioned China as acting as a part of a larger UN-coordinated relief operation. In these cases, however, there was typically only one recipient for China’s aid, and it was China’s own decision to donate so the relationship can be said to have been essentially bilateral, although it was coordinated with other donors. This normally happens through the United Nations Office for the Co-ordination of Humanitarian Affairs (OCHA). China seems to be quite reluctant to contribute materials, food or cash to multilateral organizations, as such activities were mentioned only in 1-2% in all of these categories. Again, these findings can be compared to

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34 Nelson, Rejecting the gift horse.
Reilly’s finding that China has been reluctant to join donor-organized consortia in its ODA practices.\footnote{Reilly, A norm-Taker or a Norm-Maker?}

**China as a recipient**

The cases where China could be identified as a recipient of aid can arguably be seen as cases that had lower diplomatic value for China, but higher value for domestic disaster management. Only 11 news articles (4.1%) were about China clearly receiving relief aid or assistance. Although the number is small, it still can give us some interesting insights into China’s IDM engagements, especially the way they are used as a part of China’s own disaster management regime. Here, information seems to be the key, as 72.7% of the cases were about China receiving information about disaster conditions or disaster management practices. 45.5% of cases were about receiving satellite data on earthquake damages, which China acquired through UN-SPIDER cooperation.\footnote{UN-SPIDER is a UN platform which facilitates the use of space-based technologies for disaster management and emergency response.} This also explains the high association of the UN (54.5%) with these cases. Monetary support to earthquake reconstruction was mentioned in only one case (from the World Bank); the same is true for food aid (from Pakistan for Chinese flood victims). 81.8% of news was about the emergency phase, and 63.6% was about earthquakes.

However, here one needs to note that the magnitude 7.0 Lushan earthquake that hit Sichuan in April 2013 fell just outside of the survey period (May 2013- May 2018) of this study. Because of the Lushan earthquake disaster, China did accept 62.11 million Yuan worth of humanitarian aid from the International Red Cross and this relief aid came from countries...
such as the U.S., Australia, Japan, Canada, Switzerland, the Netherlands and Spain.\textsuperscript{37}

The picture that emerges is that China mostly asks for foreign assistance only concerning major earthquakes, but even then depending on the severity of the disaster, Chinese authorities prioritize gaining scientific data through the UN over material relief aid. If such aid is asked for, the IRC is the preferred partner. While disaster data has its role in strengthening China’s disaster management capabilities, China nevertheless seems to be underutilizing resources available in the global IDM community and her threshold to ask for direct international relief help seems to be rather high. This closer resembles behavior of a developed country than that of a developing one; a general difference between these two types of countries that has been noted by Nelson.\textsuperscript{38} Nevertheless, most of the disaster management gains that China gets from IDM actually come through reciprocal engagements.

\textbf{Reciprocal Engagements}

As noted above, most of China’s IDM engagements were reciprocal in their nature. In these cases, diplomatic and disaster management gains varied case by case. News items about reciprocal engagements were mostly about conferences, training exercises, meetings, and official visits of disaster management authorities (jointly 98\% of reciprocal cases). Most reciprocal


\textsuperscript{38} Nelson, Rejecting the gift horse.}
interactions took place in multilateral settings (56.8%). 85.9% of the cases were about information exchanges, not only on disaster management technology, but also on such things as information on participants’ disaster management practices, policies, and organizational features. All this can strengthen the disaster management capabilities of all parties involved. 44.9% of reciprocal cases mentioned disaster management technology and science, while a notable part (16.2%) of cases included the joint training of Chinese and partner countries’ disaster management personnel. These reciprocal interactions were mostly technical in their nature and can, therefore, be said to have directly benefitted China’s domestic disaster management capabilities by enabling Chinese disaster management experts to learn from international practices and technology. Furthermore, 30 cases (16.1%) mentioned signing disaster management-related agreements between PRC and other parties. Such agreements have a diplomatic dimension by their very nature, but they also help in strengthening China’s own disaster management capabilities.

As for the type of disasters, most of the reciprocal interactions (65.9%) dealt with general disaster management issues and did not mention a specific hazard type. The most pronounced hazard type was meteorological hazards (16.8%), while earthquakes (4.2%) and floods (2.7%) gained much less attention. This is interesting when compared to the prevalence of these types of hazards in China and also in China’s own donor profile. Yet, the result is understandable in light of the fact that a large part of the reciprocal interactions was about general disaster management technologies and practices. For example, satellites and remote sensing (mentioned in 17.8% of cases) can be used to monitor both earthquake and flood damages. Notably, 10.3% of the news articles mentioned global warming/climate change, and the frequency of such news has been on the rise since 2015. China’s growing
commitment to international efforts against climate change was, therefore, also visible in this data.

As for the disaster management cycle phases found in reciprocal exchanges, 32.5% of the news mentioned themes that were related to the whole cycle of disaster management. 30.8% focused on prevention and preparedness only, and an additional 19.5% also included emergency rescue (but not reconstruction). Reconstruction was only discussed in 1% of the cases. The general impression is, therefore, that China uses reciprocal IDM engagements to enhance its and other participants’ resilience to disasters, mostly by seeking to improve its scientific and technological capacities and training its disaster management personnel, while reconstruction issues are left to lesser attention. Preventive scientific and technological exchanges, therefore, came to the forefront in reciprocal interactions.

Geographically, reciprocal engagements involved an international organization, especially the UN, in 42.7% of the cases, while the second largest group (26.5%) was the different collective variations of Asia-Pacific regional organizations (such as ASEAN), or more ad hoc groups of countries from the same region. An additional 21.6% of reciprocal engagements took place with China’s immediate neighbors, such as the China-Korea-Japan tripartite cooperation in disaster management, which has been going on since 2011. This underlines Giessmann’s observation of how disaster management is one of the few fields where common interests exist in East Asia so much that countries there have been able to overcome their historical and political difficulties in generating regional cooperation.39

Asia can, therefore, be said to be the most important regional reference group for the PRC in terms of the frequency of its reciprocal activities. Notably, while African countries are the largest recipient group of China’s bilateral donor activities, only about 1% of exchanges took place between China and African countries only, individually or collectively. Identified European countries were involved in 12.9% of exchanges and other countries (mostly the US) in 11.4% of them.

Notable for the way China used IDM for its geopolitical purposes, 4.3% of the reported cases concerned engagement within China’s “own” international organizations or initiatives, namely the One Belt One Road (BRI) and the Shanghai Co-operation Organization (SCO). While their share cannot be regarded as large, it was on the rise towards the end of the observation period and showed once again that there is a direct connection between China’s diplomatic geopolitical initiatives and IDM activities.

Reciprocal exchanges also had a soft power function for China. In this vein, China’s global IDM talk tried to reassure its audiences about the peaceful nature of China’s rise. At the same time, China directed its IDM talk at developing countries to reinforce China’s image as a benevolent leader of this bloc in world politics. For example, in an article about China’s remote sensing satellites, it was argued that China’s willingness to contribute disaster-related data both to the developed and developing countries not only improved these countries’ disaster management capabilities, but also demonstrated how China was acting in a manner fulfilling the responsibilities of a “developing major nation.”

Similarly, in a 2017 article that described how China

has been training representatives from BRI countries in climate change issues, the Chinese chair was cited as noting how organizing such training was part of China’s shouldering of its “great power responsibility”.

Conclusions

In the 2010s, China has developed its IDM activities in an increasingly systematic manner by incorporating them into its foreign policy, while at the same time utilizing IDM to improve its own disaster management capabilities. These developments generally reflect PRC’s rising status in the international community, where China is seeking a position that would fit its newly-found posture. Through its IDM activities, China is playing a middle role between the developed and developing countries by positioning itself as a, or even the, leading developing country, while at the same time using developed countries as a benchmark and useful source of disaster management expertise and technology. This finding is in line, for example, with China’s regional forum diplomacy as analyzed by Alden and Alves, who argue that China’s involvement in regional organizations in the developing world is closely linked to its aim of furthering its leadership role in the global south, while Burghart makes a similar observation about China’s ODA rhetoric. Active IDM engagements bring another opportunity for this.

43 Burghart, Ownership in East-Asian Aid Discourses.
However, while IDM activities help China, the findings point to China’s lingering preference to *zili-gengsheng*, handling difficult situations on its own, which is probably related to the party-state’s tendency to frame disaster aid as its ‘gift’ to the people,44 and to regard disasters as potential crises which may affect state’s moral legitimacy.45 Asking for foreign assistance does not fit well in any of these frames, yet there are not similar political costs related to asking for scientific information, which could explain why China is such a selective recipient of IDM aid. Chinese IDM engagements are, therefore, active and have a global reach, but could draw more to available resources in the international disaster management community.

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45 Xu, *Politics of Compassion*


Trends and Issues of Legal Policy on Foreign Workers in Japan

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Abstract
In Japan, in order to improve international competitiveness and solve the issues resulting from the decline and ageing of its population, legal policies concerning acceptance of foreign workers have been established or amended in recent years, such as “Points-based Preferential Immigration Treatment for Highly-Skilled Foreign Professionals” and “Program of Technical Intern Training for Foreign Nationals.” Additionally, foreign human resources have been utilized in the National Strategy Special Zone. The series of policies above has been attached to equally important mandates concerning the improvement of national productivity and the utilization of women and the elderly as a potential labor force. The study analyzes the development of the legal policies concerning acceptance of foreign workers in Japan and potential problems.

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Key words: Foreign workers, Immigration, Unskilled workers, Legal policy, Foreign Technical Intern Training Program, Nikkei workers, Point system for highly skilled foreign professionals, Status-of-Residence System

I Introduction
In recent years, the Japanese government has announced guidelines for proactively accepting foreign workers as a mechanism to mitigate the labor shortage brought on by Japan’s aging population and declining birth rate, resulting in the rapid development of various legal policies. Thus, various legal policies have experienced great development, such as Foreign Technical Intern Training Program, Nikkei workers, Point system for highly skilled foreign professionals, and Unskilled workers accept by National Strategic Special Zones. However, foreign workers are not merely labor forces; they are human beings who should be integrated into the society. Therefore, from a broader perspective regarding policies on foreigners, there is a need for educational, social security, and other comprehensive legal policies for foreign workers. This paper, gives an overview of the actual conditions of foreign workers in Japan and attempts to examine the impact of current legal policy on foreign workers.

II Foreign workers in Japan
1. Defining features of the foreign workers issues
For some time after the Second World War, issues relating to foreigners in Japan were wholly related to foreigners residing in Japan as a result of pre-war colonial holdings (such as Korean and Taiwanese). After entering a period of rapid growth, there were migrant foreign laborers from various Asian countries, and there were second and third generation persons of Japanese descent, the children and grandchildren of Japanese migrants to South
American countries such as Brazil and Peru who were actively welcomed on the basis of the revised Immigration Control and Refugee Recognition Act from the 1980s. Consider rephrasing this portion of the sentence to “The defining features of foreign workers issues in Japan has remained largely unchanged over the past decades of migratory change:” 1) the existence of “oldcomer” foreign workers and newcomer foreign workers; 2) trends of influx from Asian and South American regions, and of settlement in Japan; and 3) poor working conditions as a result of unstable employment.

To give more detail, from around 1955 Japan entered into a period of rapid economic growth, and there was demand from industry to accept foreign workers, but the government’s view was that there was no particular need to take in foreign workers. Then, from the 1960s, policies allowing travel to Japan from Asian countries for the purpose of training was permitted (at that time this was only for training and not a status of residence), permitting many foreigners to enter Japan with Temporary Visitor status, which allowed primarily tourism but not employment. Among these foreigners who entered Japan with Temporary Visitor status, there were many who continued to stay in Japan beyond the limits of their resident status, and the phenomenon of engaging in low-wage unskilled labor proliferated. From the 1980s there was a labor shortage as a result of the booming economy, so many foreigners were hired in the so-called “3K” labor sector (a term based on the initials of the Japanese words for “dirty,” “tough,” and “dangerous”), and issues relating to foreign workers came to the foreground. The government had preserved a consistent principle of not admitting so-called unskilled laborers,

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and so many of the foreigners who were working in Japan due to economic demand were branded as doing “illegal work,” which has become a significant factor contributing to bringing about the miserable conditions for foreign workers. Then, many foreign workers were dismissed when the country plunged into economic recession, regardless of whether they were employed legally or illegally, so that the unemployment of foreign workers emerged as a new problem. Without resolving these problems, the scope of immigration has expanded rapidly in terms of industry types where foreign workers are being accepted and the numbers of such workers accepted in sectors struggling with a shortage of Japanese workers: Japan is admitting nurses and care workers (candidates) on the basis of economic partnership agreements with the Philippines and Indonesia, as a measure to break through the serious labor shortage accompanying a declining birthrate, aging population, and economic development; it has introduced the Points-based System for Highly-Skilled Foreign Professionals; and it has passed the Technical Intern Training Act; the designation of National Strategic Special Zones and the implementation of other temporary measures until the Tokyo Olympics; and the creation of a new status of residence for the purpose of employment.  

2 Foreign workers in Japan

(1) Country-specific situation of foreigners

According to the research conducted by the Ministry of Justice,


as of January 1, 2017, the total population of Japan was 1228.6 million, and the foreign population was 2,561,848 people, representing approximately 1.8% of the total population. Ranking the make-up of the foreign population by country, the top 10 countries are China, Korea, Vietnam, the Philippines, Brazil, Nepal, and Indonesia. Among the top 10 countries/regions, the increase in foreigners from Vietnam, Nepal, and Indonesia is remarkable. Though, besides Japanese Brazilians (Nikkei workers), most foreigners in Japan are from Asian countries.

(2) Statistics of foreign workers

According to the research conducted by the Ministry of Health, Labor and Welfare\(^5\), at the end of October 2017, the number of foreigners working in Japan reached approximately 1.28 million, about 2.0% of the working population. It has been the highest update since 2007 when the report on the employment status of foreigners became mandatory. Regarding factors of increase, it has been pointed out that the government is promoting the acceptance of highly skilled foreign professionals and foreign students, and expanding its Foreign Technical Intern Training Program, etc. Looking at the employment situation by industry, manufacturing is the largest, and construction and service are also increasing. Also, more than 30% of foreign workers are employed at "less than 30 business establishments," and more than 20% of foreign workers are working in business establishments engaged in worker dispatching/contracting.

In addition, as shown in the survey conducted by the Japanese

government, labor shortage is the most serious problem in Japan. As a result, Japan will have to depend on work forces from some developing countries, such as other Asian countries.

III Legal policies concerning foreign workers

1 Basic policy

(1) Unlike Western Europe, which accepted a great number of foreign workers after WWII for the purpose of economic revitalization, Japan did not opt for such a policy during its postwar period of rapid economic growth. Starting in the mid-seventies, Japan’s domestic labor shortage and international labor migration led to a remarkable influx of foreign workers from other Asian countries and made foreign workers a policy issue. The basic policies set forth in response were 1) not to accept unskilled laborers and 2) not to introduce immigration policy, both of which are still followed today.

(2) In rejecting the admission of unskilled laborers, the government stresses the following in particular: 1) if foreign unskilled laborers are admitted into Japan, this will restrict employment opportunities for Japanese laborers, and a two-tiered structure will be developed in terms of wages and other working conditions (labor market policy perspective); 2) social costs relating to education, housing, social security, etc. will increase as a result of the settlement of foreigners (public finance perspective); and 3) there is a risk of friction in local communities as a result of differences in language and customs, and a risk that immigration will invite an increase in delinquency and crime relating to

7 For example, in the policy documents after "Japan Revival Strategy Revised 2014-Challenge to the Future", the words "do not be misunderstood as immigration policy" are included.
foreigners (security policy perspective). It has also been indicated that the government does not want to be described as having an immigration policy because, when accepting migrant laborers, social integration is expected to be difficult, and such a policy might invite opposition from the public.

(3) Furthermore, even today there is no clear definition of, or shared societal awareness regarding, the terms “unskilled laborer” or “immigrant” in Japan.

Looking at the former, so-called “unskilled laborers” are often referred to, but there is no clear definition. The term is used in contrast to workers with specialized skills and knowledge who are permitted entry under the provisions of the Immigration Control Act, and so it could be understood as referring to all persons not fitting that description, but the criteria for “specialized or technical sectors” are also unclear. In recent government papers the vague expression “sectors which are not considered to be specialized or technical sectors” is used and there is a tendency to avoiding the expression “unskilled laborers.”

On the other hand, “immigrant” can be interpreted either strictly or broadly. Immigrant in the strict sense means “foreigners who are allowed entry into Japan and have been granted permanent residency.” On the other hand, “foreign workers” are technically “foreign workers who are allowed entry into Japan for

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a limited period of time, on the premise that they will return to their country of origin.” However, foreign workers initially enter Japan for a limited time, but later renew their status of residence, prolong the duration of their stay, and eventually acquire permanent residency; as a result, they are to become immigrants. These are immigrants in the broad sense of the word.12 The Japanese government uses “immigrant” in a narrow sense13, but in reality, immigrants in a broad sense are increasing in Japan.

2 Status of Residence System (在留資格制度)

(1) The Immigration Control Act is at the heart of Japanese law and policy regarding foreign workers and the status of residence system is implemented under the core policies described above. In order to work in Japan, a foreigner must be granted an entry permit and status of residence under the Immigration Control and Refugee Recognition Act (ICRRA). The issue of whether the migrant can work or not after having entered the country and the legislation’s scope is limited in accordance with the status of residence. That is to say, being granted status of residence amounts to both permission to enter and reside in the country, and also permission to perform the activities in accordance with that status of residence, and it is the Immigration Bureau at the Ministry of Justice whom judges whether a foreigner hoping to work in Japan is eligible for a given status of residence.

(2) Under the current law (ICRRA), there are 29 statuses, each of which permits a different range of activities. They are divided into “social status based statuses” (e.g., being a permanent

resident or spouse of a Japanese citizen), which have no restrictions on working; statuses that permit a predefined range of work; and statuses that, in principle, do not permit work (or else require particular permission to do so). The ICRRA underwent a series of amendments after the 1980s that resulted in the creation of several new statuses.

- In 1989, the legislation was amended to 1) expand the status pertaining to “specialized/technical occupations”; 2) create the “long-term resident” status that allowed Nikkei people (people of the Japanese diaspora) to work; 3) create the “education” status that allowed foreigners to enroll in Japanese-language schools (in 2009, it was unified with the status of residence “student”; and 4) establish the Trainee Acceptance System (now it is called Technical Intern Training Program).

- In 2014, the “highly skilled professional” status was created.

- In 2016, the acute labor shortage in the caregiving fields prompted the creation of the “care worker” status, whose aim was to introduce foreign workers into those fields.

- In 2018, Skilled Worker No. 1 and No. 2 were established as a new status of residence statuses.

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14 It is included Permanent Resident, Spouse or Child of Japanese Nationals, Spouse or Child of Permanent Resident and Long-term Resident.

15 It is included Diplomat, Official, Professor, Artist, Religious Activities, Journalist, Highly Skilled Professionals (No.1 and 2), Business Manager, Legal / Accounting Services, Medical Services, Researcher, Instructor, Engineer / Specialist in Humanities / International Services, Intra-company Transferee, Care Worker, Entertainer, Skilled Labor (No.1 and 2), Technical Intern Training (No.1, 2 and 3) and Designated Activities (Status you can work depends on your situation).

16 It is included Cultural Activities, Temporary Visitor, College Student, Trainee and Dependent.
The ICRRA also permits changes or renewal of status of residence, and these requirements are not necessarily strict. Therefore, even if it is a relatively short stay, such as one year or two years, the tendency for a stay to become longer by repeating the status of residence renewal has emerged. Furthermore, there is a way to obtain permanent residence by changing or renewing the status of residence.

3 Brief Summary

Firstly, when looking at the series of developments in legislation and policy on immigration control, there is a dissonance between basic principles and reality, and this gap is getting wider and wider. As pointed out by many scholars, the establishment of statuses of residence by legal reform in 1989 in particular was “the institutionalization of a route of entry for substantially unskilled laborers,”\(^\text{17}\) and furthermore, “because more than half of resident foreign nationals have the right to stay permanently, in a sense one could say that this country has been implementing a pro-immigration policy for many years.”\(^\text{18}\)

Next, the centralized system carried out by the Immigration Bureau in relation to foreign nationals and foreign workers is centered on the “management” or “control” of foreign workers, and it is easy for a focus on maintaining order to come to the fore in place of a focus on protection for foreign workers under labor laws.\(^\text{19}\) There is a historical background to this stance of Japanese society accepting foreign nationals (workers). Japanese society


\(^{19}\) NISHITANI Satoshi, “Legal policies and law application for foreign workers” pp.21.
harbors a sentiment of anti-foreignism, as well as scorn, derision, and a discriminatory attitude towards other Asian countries, which has had a significant impact on the development of law and policy.\textsuperscript{20} Today, as the socio-economic situation undergoes major changes, and international migration of labor progresses, such ways of thinking must be fundamentally revised. Moreover, when it comes to accepting foreign workers, for a long time the government’s response to labor shortages has been to implement workarounds by repeatedly revising the Immigration Control Act and creating new statuses of residence. However, policies relating to foreign workers have always been developed in reference to policies that control immigration, and consideration of labor markets and the interests of labor and management, or the protection of workers has been missing in labor policies.\textsuperscript{21} It is necessary to establish an appropriate foreign labor policy.

IV Legal policy for foreign workers

1 Foreign Technical Intern Training Program

(1) Foreign Technical Intern Training Program (TITP), which forms the backbone of Japan’s legal policies for foreign workers, was officially introduced with the 1989 revision of the ICRRA. Considered part of Japan’s international contributions, the TITP is a system for transferring skills and technical knowledge developed and cultivated in Japan to developing countries. Its purpose is to contribute to the human resource development that is responsible for participating countries’ economic development.

However, the purpose and reality of the system do not match,

\textsuperscript{21} editing by Administrative Research Institute, “\textit{Human rights of foreign workers}” (Otsuki shoten, 1990) pp. 58-59. NISHITANI Satoshi, “Legal policies and law application for foreign workers” pp. 21, etc.
and further, it has also led to many issues with unpaid wages, many legal disputes over boarding expenses and other unfair deductions, worker’s compensation insurance, and situations where working conditions infringed on workers’ personal rights, such as by requiring long hours. The TITP thus faced harsh criticism both domestically and from the international community. Subsequently, following the 2009 revision of the ICRAA and a further comprehensive review of the TITP in March 2015, and in 2016, the Foreign Technical Intern Training Act was implemented.

(2) The Foreign Technical Intern Training Act,\(^{22}\) i) was developed from the perspective of optimizing the system and protecting technical intern trainees; the Foreign Technical Intern Training Act, as a basic principle, was not a means of controlling the labor market and also strengthened labor law application for the foreign technical interns trainees. ii) Furthermore, measures were undertaken to prevent the infringement of personal rights, such as the establishment of the Organization for Technical Intern Training as a supervising body; the creation of a licensing system for management organizations; and the explicit prohibition of penalties for breaches of contract, forced savings, and retaining workers’ passports, as well as the institution of a penalty for such acts. iii) In addition, the government has expanded the Technical Intern Training Program (for foreign nationals): 1) a third grade with activities aimed at the mastery of skills has been established in addition to the two previous grades of technical training (grade 1 and grade 2 are both implemented on the basis of contracts of employment, and labor laws and ordinances apply to technical intern trainees); 2) it is necessary for technical intern trainees to

\(^{22}\) HAYAKAWA Chizuko, “Future of foreign labor restrictions” Juristo, No.1509 (2017) pp.75-76.
take an evaluation examination including a practical test before completion of each grade; 3) excellent supervising organizations and implementing organizations are able to implement grade 3 technical training for technical intern trainees who have completed grade 2 after they have returned to their home country for a set amount of time; and 4) it became possible for each implementing organization to receive a certain amount of relief based on the number of persons accepted. On the other hand: 5) it has been made possible for technical intern trainees to transfer at grade 3. That is to say, with grades 1 and 2, the duration of training was three years in total (one year for grade 1 and two years for grade 2), and the system can be used for a total of five years with the addition of grade 3.

(3) The evaluation of About the Foreign Technical Intern Training Act is divided.

i) Some have pointed out the discrepancy between the intent and the reality of the system, arguing that “it is hardly conceivable that the training program has been a successful policy for international contribution by skills transfer based on human-resource development,” and that furthermore, by implementing various regulations and imposing costly and complicated review procedures on affiliated organizations, the new law “may lead to undue economic risk being passed on in the form of individual trainees’ working conditions” in the end. The Scholars insist that in order to confront the severe labor shortage plaguing Japanese industry, the government “must basically abolish the Foreign Technical Intern Training Act and consider appropriate ways to accept immigrant workers.”

Training Act, there is a view calling for radical revision or abolition of the Program, and the establishment of other migration policies.\textsuperscript{24}

ii) In contrast, given the necessity of eliminating the discrepancy between honne (true intention) and tattemae (façade) with this program, at the present, rather than abolishing the current program, Japan must establish a separate and rational admission system with the clear objective of securing a labor force. There is also a school of thought arguing that if this new framework is easy to use and does not cause problems for Japanese society, then people and businesses will naturally come to use the new framework, and as a result the Technical Intern Training Program and the phenomenon of people masquerading as students will both shrink.\textsuperscript{25}

iii) Furthermore, the system has been highly praised for being a “hybrid legislation of the ICRRA and labor laws, as it contains provisions for the immigration and residency of technical interns, as well as provisions for their protection, akin to labor laws.” \textsuperscript{26}

(4) Based on the above, although the 2016 Technical Intern Training Act states that the Program “is not to be used as a means


of regulating labor supply and demand,” regardless of whether legal provisions relating to labor law and policy are expanded or strengthened, given the content of (2) iii) above, the Program could ultimately be considered as part of a system regulating labor supply and demand inasmuch as re-entry is permitted once technical intern trainees have been made to return to their home countries, even if it does establish difficult licensing examinations. Grade 3 technical intern trainees should really be understood as nothing other than substantially skilled labor, rather than as part of a training program. Furthermore, the Foreign Technical Intern Training Program, meanwhile, has a highly commendable purpose, and ideally, it would be as effective as it was intended to be. However, it is also true that the development of the program has been lopsided, having functioned more as a means to compensate for the domestic labor shortage than as a means of transferring skills since the beginning of its implementation. It is impossible and inappropriate to continue accepting unskilled and other workers under the name of “technical intern trainees” given the severity of the labor shortage brought on by Japan’s aging population and declining birthrate.

2 Nikkei workers\textsuperscript{27}

A major constituent of foreign workers in Japan has been Nikkei workers: people mainly of Japanese descent from Brazil and other South American countries, as well as their children and grandchildren, who have been allowed to come to Japan since 1990.

On the surface, the intention of accepting Nikkei people is not

to import unskilled laborer, but rather to repatriate them, with regard to Japan’s past emigration policy. These descendants of Japanese emigrants have come to be given status of residence as permanent residents or long-term residents with no employment restrictions, and are able to work from the beginning of their stay in Japan without any time restrictions. However, many of the Nikkei people could not understand Japanese enough, and therefore engaged in simple work as temporary workers in the manufacturing industry or fixed-term contract workers in subcontractors. As a result, a large volume of unemployment has arisen in the economic recession since the Lehman Collapse. Descendants of Japanese emigrants in Japan who have been unable to find new employment (or who have turned it down) are given financial support to return to the country they came from. People who take this money are not permitted to return to Japan under a status of residence on the same grounds for three years. Such acceptance of these descendants of Japanese emigrants can, in reality, be understood as an acceptance of unskilled labor.

3 Points-based System for Highly-Skilled Foreign Professionals

A points-based System for Highly-Skilled Foreign Professionals was introduced in 2012 to welcome foreign workers in specialized and technical fields with the aim of increasing productivity, stimulating the economy, and making Japan more internationally competitive.

Specifically, it defines three kinds of activities: 1) “Advanced Academic Research Activities,” 2) “Advanced Specialized/Technical Activities,” and 3) “Advanced Business Management Activities.” Applicants for each respective type of activity are awarded points according to factors such as their academic history, career history, annual income, age, and research achievements. Those whose points total a certain number (70 points) are recognized as “highly
skilled professionals,” granted a “designated activities” status of residence, and given preferential treatment.

- In December 2013, the Ministry of Justice relaxed the criteria that awarded points for Japanese-language proficiency and for having earned a degree from institutions of higher education in Japan; it also revised the criteria regarding the minimum salary, abolishing the requirement altogether for Academic Research applicants and lowering it to ¥3 million per year for Specialized/Technical and Business Management applicants of all ages.

- The ICRRA was revised in June 2014 to create the “highly skilled professional(No.1 and 2)” status of residence.

- In 2017, the prerequisite duration of stay to apply for permanent residency was shortened from 5 to 3 years for highly skilled foreign professionals with 70 points or more, and to 1 year for those with 80 points or more—a “Japanese Green Card for Highly Skilled Foreigners.”

The government claims that this “Japanese Green Card” is not an immigration policy, though skeptics argue that it essentially is, “with the only difference being whether to grant permanent residency before or just after entering the country.” In addition, due to factors such as the lowered salary requirement of ¥3 million and the lack of restriction on the kinds of activities considered to be “Advanced Specialized/Technical Activities,” people who are not that highly skilled could become recognized as “highly skilled” and be granted permanent residency in a short time. Such treatment is not in accordance with the intent of the system, which “ought to be revised to guarantee suitable treatment of expertise only to those
who truly merit the description ‘highly skilled.’”  

4 Recent trends in legal policy: Expand acceptance of unskilled workers

Recently foreign workers are also being admitted in domains that had not previously been considered specialized or technical sectors.

(1) Since 2015, the National Strategic Special Zones framework has permitted the acceptance of domestic labor under the “designated activities” status as part of the “Project to Accept Foreigners for Domestic Work Support,” although this is limited to certain regions. These include “carrying out cooking, laundry, and other housework, and activity in supporting industries designated by Cabinet Order,” and the framework for admission involves housework agencies directly employing laborers full-time and providing their services at the users’ homes. Living at the users’ homes is prohibited. “Housework” includes not only general chores such as cooking, laundry, and cleaning, but also a wider range of associated tasks such as caring for children and the elderly (excluding physical care such as feeding, bathing, taking them to the toilet, etc.). Wages must be at least equal to those of Japanese workers, and labor laws and ordinances apply.  

Since 2017, the labor shortage in agriculture has also prompted the acceptance of agricultural workers in National Strategic Special Zones (“Project to Accept Foreigners for

Agricultural Support”), in order to expand the scale of agricultural operations and make “Strong Agriculture” a reality. Here, agricultural work refers to all agricultural work undertaken by the client agricultural management entities, including those commissioned by persons carrying out agricultural management within the project implementation area (other than the client agricultural management entities). Consignment contracts shall be made in writing, and care must be taken where there is a command and order relationship between a contractor and foreign worker agricultural support personnel due to the possibility that this will fall within the definition of a Labor Supply Business prohibited by Article 44 of the Employment Security Act.30

(2) Furthermore, in addition to the “nursing care” status that was created following the 2016 revision of the ICRRA, nursing was also added to the fields of intern training. Finally, the acceptance of construction workers and shipbuilders who have completed technical traineeship, which is intended as a provisional measure from 2015 to 2020, was probably the first of the movements to accept unskilled workers.

(3) Type 1 and Type 2 Specified Skills visas were introduced in the 2018 revisions to the Immigration Control Act. Type 1 Specified Skills visas are only available to those with “skills requiring considerable knowledge or experience” and allow employment in Japan for a maximum of five years in the following 14 specified industry sectors: i) construction; ii) shipbuilding and marine industry; iii) vehicle maintenance; iv) aviation; v)

hospitality; vi) long term care; vii) building cleaning; viii) agriculture; ix) fishing industry; x) food and drink manufacture; xi) restaurant industry; xii) materials industry; xiii) industrial machinery industry; and xiv) electronics and electrical equipment industry. However, workers with this visa is in principle not permitted to bring family members to stay in Japan. As well as targeting admission of foreign nationals who have passed prescribed Japanese language examinations and skills examinations, it is possible for people to transfer from technical intern training alone.

Type 2 Specified Skills visas are for those whose’ skill level has been confirmed by examination, and are only permitted for two industries: i) construction and ii) shipbuilding and marine industry. However, there is no upper limit to the status of residence, and workers with this visa are permitted to bring family members to stay in Japan.

(4) Based on the recent development of a series of legal policies as described above, it is clear that it accepts foreign workers from the front, although it is stepwise in the regional and industry limits. Evidently, the government’s basic guideline “not to accept unskilled workers” is gradually being relaxed by policies such as the National Strategic Special Zones framework. Further, while the Technical Intern Training Program has the objective of transferring skills in Japan to developing regions so that they can develop economically, the Specified Skills program provides statuses of residence in order to secure a labor force for industries in Japan with striking personnel shortages, so both are positioned as totally different systems. However, technical intern trainees

who have completed grade 2 of their technical training are able to obtain a Type 1 Specified Skills visa without any further examination (there are special transition measures), and if they transfer companies will be able to employ such foreign workers continuously. In short, companies need foreign workers due to the labor shortage associated with a declining birthrate and aging population, and revisions to the Immigration Control Act in 2018 could be described as attempting to respond to this by introducing so-called short-term rotation-type admission of migrants. However, even based on the experience of European countries, the introduction of a rotation-system can lead to the long-term stay of foreign workers and various new legal issues associated with that.32

V Basic principles and methods of legal policy for foreign workers

There are various legal policies and their respective legal areas that pertain to foreign workers, with the principal ones being ICRRA and labor law. 33 ICRRA primarily regulates the management of foreigners entering and residing in Japan, and is responsible for “selecting” which foreigners to accept as workers. In contrast, labor law enforces regulations on labor relations and the labor market, such as the specification of minimum working conditions, job security, equal opportunity employment, and the right to form unions. As such, it is responsible for integrating foreign workers who enter and reside in Japan into the domestic

32 As for the rotation system of European countries, the following was referred. HONDA Junryo, 1990, pp.20-23. TEZUKA Kazuaki, “Study on foreign workers” (Shinsansha.2004) pp.58-62.
labor market. Thus, the Immigration Bureau’s legal policies pertaining to foreign workers and labor law policies are interlaced, with the common thread being their focus on workers, and they must be coordinated.

The following are some of the ways in which foreign workers are accepted:

1) The Status-of-Residence System, which requires an individual to be in a work-permitted category in order to enter and reside in the country;
2) A point system, which permits entry to those with a certain number of points;
3) A work permit system, which allows a foreigner to enter and reside in the country after carrying out a labor market test to assess the effect on the labor market of employing that specific person;
4) An employment permit system, which permits the acceptance of foreign workers in fields where it is difficult to secure a domestic labor force by making employers follow certain requirements, such as the duty to make an effort to hire domestic (i.e., not foreign) workers;
5) Systems for skill transfer; and
6) A foreigner employment tax system, which imposes economic restrictions by levying taxes on employers for hiring foreigners.

While Japan has implemented 1) and 5), it has not adopted labor market tests to assess the effect bringing in foreign workers has on the domestic labor market—that is, neither 3) nor 4). However, labor market tests are indispensable for ensuring the efficacy of legal policies on the acceptance of foreign workers, and are worthy of consideration.

As it cannot be said that Japanese policy regarding foreign workers up to this point has always been of an appropriate nature,
it is necessary to integrate the system with reality to develop law and policy relating to foreign workers, and as a basis for this process it is imperative that a principle of how to design foreign workers policy is established going forwards. So far, the government has responded to changing situations by establishing new statuses of residence on each occasion, lack of basic principle on the acceptance of foreign workers. I think that it is necessary, when establishing such a basic principle, Japan must clarify its position on the basis of international migration conditions and prospects, rather than taking a limited response that simply views foreign nationals as a labor force. On this point, the most important points will be whether, after first reviewing the situation in Japan, the nation will choose to move towards the acceptance of migrants or not, and whether it will systematize the future of the labor force in response to supply and demand in the labor market.34

VI Conclusion

This paper has attempted to examine the development of legal policies for foreign workers in Japan.

First, it has shown that, in Japan, there has been a rapid increase in the number of foreign workers accepted in fields not previously regarded as specialized or technical, and that there are now more people who update their status of residence multiple times and eventually become permanent residents, which in turn illustrates that Japan is an immigrant society.

Furthermore, it is the Immigration Bureau’s legal policies that

34 The basic research was referred to the following research. NOGAWA Shinobu,“Issues on Foreign Workers Legal System” Quarterly labor law(季刊労働法) No.262(2018) pp.20-21. NOGAWA Shinobu,“Issue of foreign workers policy and training and technical training system” Journal of Japan Labor Law Association. No.112 (2008) pp.70-71 etc.
form the backbone of the legal policies for foreign workers and the Status-of-Residence system is in place. Various policies have been introduced one after another, from the Foreign Technical Intern Training Program, to Nikkei workers, the point system for highly skilled professionals, and measures whether to accept foreign workers based on the National Strategic Special Zones Act. Each of these policies has its own purpose, objective, and administrative rules, as well as serious challenges. However, there is one common issue at the heart of each policy’s challenges: the discrepancy between the government’s basic policy and the design and reality of the systems, which has only become wider and wider with the recent series of movements. In essence, this means that the basic policy—1) not to accept unskilled laborers and 2) not to introduce immigration policies—have already been breached.

Above all, a review of basic policy is of the utmost urgency in order to overcome an era of severe labor shortage resulting from the declining birthrate, aging population, and decreasing population that is likely to continue into the future. It is therefore necessary and essential to develop law and policy that focuses on the labor perspective, attempting to reconstruct and adjust various systems, reverse the previous focus on the management and control of foreign workers, and to carry out reform from a broad perspective that encompasses social integration of foreign workers (including social security). Furthermore, when implementing policy based on this kind of fundamental thinking, perhaps the Japanese government should consider the unification and systematization of departments responsible for policy on foreign nationals, which are currently divided into silos.35


*Postscript: The Immigration Bureau was launched on April 1, 2019. This is
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