



TU-CAPS
TIARA MAPS
THAMMASAT INSTITUTE OF AREA STUDIES MASTER OF ARTS IN ASIA PACIFIC STUDIES



Australian
National
University



Proceedings



“Asia Pacific:
Amidst the Challenging Times”

3rd Thammasat Annual Academic and Postgraduate
International Conference on Asia Pacific Studies

6–7 December 2018, Hua Hin, Thailand



PROCEEDINGS

**3rd Thammasat Annual Academics & Postgraduate
International Conference**

“Asia Pacific: Amidst the Challenging Times”

**Hosted by
Thammasat Institute of Area Studies,
Thammasat University**

**In association with
Master of Arts in Asia-Pacific Studies Program
Faculty of Political Science, Thammasat University
Office of the Higher Education Commission, Thailand
Australian National University, Australia
University of Canterbury, New Zealand
Meiji University, Japan
Graduate School of Asia-Pacific Studies, Waseda University**

Foreword from the Conference Chair

Welcome to the 3rd Thammasat Annual Academic and Post Graduate International Conference on Asia Pacific Studies (TU CAPS 2018)

I'm glad to welcome everyone for the 3rd edition of TU CAPS 2018, this time, at Hua Hin, Phetchaburi. For the past two years, our annual academic congregations have highlighted some interesting issues related to Asia Pacific. This year is no less interesting, with more specific region panel sessions added to the Conference.

The year 2018 has been a colourful year for the Asia Pacific. The hype of Trump – Kim Summit in Singapore, cross continents trade wars and recently, Xi Jinping's tour of the Pacific; what happened this year is unthinkable just a year ago. Indeed, these events put a fresh perspective on what to come that create the necessity to observe and study such a rapid development. This year, the conference theme is 'Asia Pacific Amidst the Challenging Times' that tries to encapsulate discussions related to these new developments that brought along opportunities as well as challenges on its way.

This conference would not take place without the kind support from our esteemed affiliated networks namely Graduate School of Asia Pacific Studies (GSAPS), Waseda University, Meiji University, Australian National University and University of Canterbury, and strong partners from local institutes and agencies such as Office of the Higher Education Commission and Faculty of Political Science, Thammasat University; with their consistent support motivate us to do better for the benefit of all. To that end, I hope you have a good time during the 3rd

Thammasat Annual Academic and Post Graduates International Conference (TU CAPS 2018) here at Dust Thani, Hua Hin, Thailand.

Suphat Suphachalasai, PhD.

Conference Chair

Table of Content

Foreword from the Conference Chair	1
Table of Content	2
Committee Board	3
Lists of Names	9
List of Institutions	13
Conference Schedule	14
Selected Publications	21
➤ Strategy, Security, and Japan’s Foreign Aid to Southeast Asia <i>(David M. Potter)</i>	
➤ Repression of Communist Party of Vietnam towards Political Oppositions: A Case Study of Viet Tan <i>(Do Thi Chang)</i>	
➤ Cambodia’s Foreign Policy and China’s Soft Power during Khmer Rouge Era from 1975 to 1979 <i>(Un Samnang)</i>	
➤ Myanmar-China Relations (2003-2011) <i>(Thu Rein Saw Htut Naing)</i>	
➤ An Alternative View of South China Sea Disputes: Significance of Locations <i>(Luong Anh Linh)</i>	
➤ The Evaluation of Japanese ODA to Vietnamese Farmers <i>(Hideaki Shirakata)</i>	
➤ Success of Female Entrepreneurship in the Male Dominated Economy of Bhutan <i>(Palden)</i>	
➤ Community Based Tourism in Creating Impacts for Rural Communities: A Case Study Nglanggeran Tourist Village in Yogyakarta, Indonesia <i>(Irwita Irlangga)</i>	
➤ The Effect of Royal Decree on Managing the Work of Aliens B.E. 2560 (2017) on Myanmar Migrant Workers <i>(Su Sandar Thann)</i>	
➤ Internationalization or Non-Internationalization to the Implementation of Japanese’s ODA <i>(Jutaporn Rotwittayathon)</i>	
➤ International Competitive Advantage of Tuna Canned: A Comparative Study between Indonesia and Thailand by Using Porter’s Diamond Model <i>(Muhammad Shobaruddin)</i>	

- Factors Effect Rose Industry Development in Cambodia
(Nget Norin Rachny)
- An Analysis of Factors Affecting the Intention to Use Bitcoin *(Alisa Teerasakdapong and Mani Satitsamitpong)*
- Political Maneuvering and Trade Liberalization in Japan *(Chayapreuk Kongchan)*
- The Perception of Brunei's Micro and Small Food Entrepreneurs on the Utilization of Online Market through Social Media Platform *(Nurul Izzati Hj Mat Sani)*
- Governance and Blockchain: How Blockchain Technology will Improve Corporate Governance in Thai Listed Companies *(Paveenasuda Sriphaya and Mani Satitsamitpong)*

Committee Board

Steering Committee

1. Associate Professor Suphat Suphachalasai, PhD Chair of Committee
 Director, Thammasat Institute of Area Studies
 Thammasat University

2. Associate Professor Chanin Mephokee, PhD Committee
 Advisor to the Director, Thammasat Institute of Area Studies
 Thammasat University

3. Dr. Supruet Thavornyutikarn Committee
 Director, India Studies Centre
 Thammasat University

4. Assistant Professor Pornthep Benyaapikul, PhD Committee
 Director, The ASEAN Studies Centre
 Thammasat University

5. Assistant Professor Sunida Aroonpipat, PhD Committee
 Faculty of Political Science,
 Thammasat University

6. Dr. Takashi Tsukamoto Committee
 Faculty of Political Science,
 Thammasat University

7. Ms. Kornchanok Nushkasem Secretary
 Thammasat Institute of Area Studies
 Thammasat University

Peer Review Committee

1. Associate Professor Suphat Suphachalasai, PhD Chair of Committee & Editorial Board
 Director
 Thammasat Institute of Area Studies
 Thammasat University

2. Associate Professor Chanin Mephokee, PhD Committee & Editor
 Advisor to the Director,
 Thammasat Institute of Area Studies
 Thammasat University

3. Dr. Supruet Thavornyutikarn Committee & Editor
 Director, India Studies Centre
 Thammasat University

4. Assistant Professor Pornthep Benyaapikul, PhD Committee & Editor
 Director, The ASEAN Studies Centre
 Thammasat University

5. Assistant Professor Sunida Aroonpipat, PhD Committee & Editor
 Faculty of Political Science,
 Thammasat University

6. Dr. Takashi Tsukamoto Committee & Editor
 Faculty of Political Science,
 Thammasat University

7. Assistant Professor Jittipat Poonkham, PhD Committee & Editor
 Faculty of Political Science,

Thammasat University

- | | | |
|-----|--|-----------|
| 8. | Assistant Professor Tavida Kamolvej, PhD
Faculty of Political Science,
Thammasat University | Committee |
| 9. | Assistant Professor M.L. Pinitbhand Paribatra, PhD
Faculty of Political Science,
Thammasat University | Committee |
| 10. | Professor Sueo Sudo
Faculty of Political Science,
Thammasat University | Committee |
| 11. | Assist. Prof. Chaowarit Chaowsangrat, PhD
Faculty of Liberal Arts
Thammasat University | Committee |
| 12. | Professor William T. Tow, PhD
Head, Department of International Relations
Coral Bell School of Asia-Pacific Affairs
Australian National University | Committee |
| 13. | Prof. John Blexland
ANU Southeast Asia Institute &
Strategic and Defense Studies Centre
Coral Bell School of Asia-Pacific Affairs
Australian National University | Committee |
| 14. | Dr. Greg Raymond
Strategic and Defense Studies Centre
Coral Bell School of Asia-Pacific Affairs
Australian National University | Committee |

- | | |
|--|------------------|
| <p>15. Dr Lindsey Te Ata o Tu MacDonald
School of Language, Social and Political Sciences
University of Canterbury</p> | <p>Committee</p> |
| <p>16. Professor Hitoshi Mitomo, PhD
Dean of Graduate School of Asia-Pacific Studies (GSAPS)
Waseda University</p> | <p>Committee</p> |
| <p>17. Dr. Ai Hisano
Senior Lecturer
Graduate School of Economics,
Kyoto University</p> | <p>Committee</p> |
| <p>18. Professor Masami Saito, PhD
Economics Group
School of Political Science and Economics
Meiji University</p> | <p>Committee</p> |
| <p>19. Professor David M. Potter, PhD
Faculty of Policy Studies
Nanzen University, Nagoya</p> | <p>Committee</p> |
| <p>20. Professor Chosein Yamahata
Department of Policy Studies
Aichi Gakuin University</p> | <p>Committee</p> |
| <p>21. Assistant Professor Makiko Takeda, PhD
Department of Policy Studies
Aichi Gakuin University</p> | <p>Committee</p> |

22. Ms. Thanyawee Chuanchuen Secretary
 Master of Arts in Asia-Pacific Studies Program
 Thammasat Institute of Area Studies
 Thammasat University

Organizing Committee

Chairman: Assoc. Prof. Suphat Suphachalasai, PhD
 Vice Chairman: Dr. Supruet Thavorniyutikarn
 First Secretary: Ms. Kornchanok Nushkasem
 Second Secretary: Ms. Thanyawee Chuanchuen

Coordinator of Event

1. Assoc. Prof. Suphat Suphachalasai, PhD
2. Dr. Takashi Tsukamoto
3. Ms. Kornchanok Nuchkasem
4. Ms. Thanyawee Chuanchuen
5. Mr. Mohammad Zaidul Anwar Haji Mohamad Kasim

Coordinator of Publication and Documentation

1. Ms. Thanyawee Chuanchuen
2. Mr. Mohammad Zaidul Anwar Haji Mohamad Kasim
3. Ms. Kornchanok Nuchkasem

Organizing Staff

- | | |
|---------------------------------------|---------------------------------|
| 1. Ms. Nuchanat Suparongnithipat | 2. Ms. Natthakanya Jarungsri |
| 3. Ms. Kittima Poolpipat | 4. Ms. Pranee Jerngsup |
| 5. Ms. Wanwisa Luang-Uthai | 6. Ms. Mutita Thannukulkij |
| 7. Mr. Chutiwit Thepsoonthorn | 8. Ms. Panipak Artisivakul |
| 9. Mr. Alim Bubu Swarga | 10. Ms. Nguyen Thu Thao |
| 11. Ms. Emmelyn Michelle Ventura Daez | 12. Ms. Anggia Kusuma Pithaloka |

Lists of the Name

Keynote Address

Associate Prof. Gesinee Witoonchart, Rector of Thammasat University

Chairs

No.	Name	Institutions
1.	Assoc. Prof. Suphat Suphachalasai, PhD	Director, Thammasat Institute of Area Studies, Thammasat University
2.	Prof. Hitoshi Mitomo, PhD	Dean, Graduate School of Asia-Pacific Studies, Waseda University
3.	Asst. Prof. Tavid Kamolvej, PhD	Dean, Faculty of Political Science, Thammasat University
4.	Prof. John Blaxland, PhD	Director of ANU Southeast Asia Institute & Strategic and Defence Studies Centre, Coral Bell School of Asia Pacific Affairs, Australian National University
5.	Dr. Takashi Tsukamoto	Director, Thai APEC Study Center and the Australian Studies Center, Thammasat Institute of Area Studies, and Assistant Dean for International Affairs, Faculty of Political Science, Thammasat University
6.	Asst. Prof. Jittpat Poonkham, PhD	Director, Russian and CIS Studies Centre, Thammasat Institute of Area Studies, and lecturer at Faculty of Political Science, Thammasat University
7.	Dr. Supruet Thavornyutikarn	Director of India Studies Centre, Thammasat Institute of Area Studies, and lecturer at Faculty of Economics, Thammasat University
8.	Asst. Prof. Pornthep Benyaapikul, PhD	Director of ASEAN Studies Centre, Thammasat Institute of Area Studies, and lecturer at Faculty of Economics, Thammasat University
9.	Dr. Ai Hisano	Senior Lecturer, Graduate School of Economics, Kyoto University

Commentators

No.	Name	Institutions
1.	Prof. William T. Tow, PhD	Corall Bell School of Asia-Pacific Studies, Australian National University
2.	Prof. David M. Potter	Faculty of Policy Studies, Nanzan University, Nagoya
3.	Prof. Chosein Yamahata	Department of Policy Studies, Aichi Gakuin University
4.	Senior Assist. Prof. Masami Saito, PhD	School of Political Science and Economics, Meiji University
5.	Dr. Ai Hisano	Graduate School of Economics, Kyoto University
6.	Asst. Prof. John Cheng, PhD	Graduate School of Asia-Pacific Studies, Waseda University
7.	Assoc.Prof. Chanin Mephokee, PhD	Faculty of Economics, Thammasat University
8.	Asst. Prof. Pornthep Benyaapikul, PhD	Faculty of Economics, Thammasat University
9.	Asst.Prof. Tavida Kamolvej, PhD	Faculty of Political Science, Thammasat University
10.	Asst. Prof. Jittipat Poonkham, PhD	Faculty of Political Science, Thammasat University
11.	Asst. Prof. M.L. Pinitbhan Paribatra, PhD	Faculty of Political Science, Thammasat University
12.	Asst.Prof. Sunida Aroonpipat, PhD	Faculty of Political Science, Thammasat University
13.	Dr. Takashi Tsukamoto	Faculty of Political Science, Thammasat University
14.	Dr. Sueo Sudo	Faculty of Political Science, Thammasat University
15.	Mr. Jaseem Ahmed	Former Secretary- General, Islamic Financial Services Board (IFSB)

Presenters

No.	Name	Institutions
1.	Dr. Chaowarit Chaowsangrat	Faculty of Liberal Arts, Thammasat University
2.	Dr. Tatcha Sudtasan	Faculty of Economics, Chiang Mai University
3.	Asst. Prof. Masami Saito, PhD	School of Political Science and Economics, Meiji University
4.	Asst. Prof. Makiko Takeda, PhD	Department of Policy Studies, Aichi Gakuin University
5.	Assoc.Prof. Chanin Mephokee, PhD	Faculty of Economics, Thammasat University
6.	Dr. Lindsay Te Ata Tu MacDonal	Department of Political Science and International Relations, University of Canterbury
7.	Dr. Takashi Tsukamoto	Faculty of Political Science, Thammasat University
8.	Ms. Thanikun Chandra	Mae Fah Luang University
9.	Prof. David M. Potter, PhD	Faculty of Policy Studies, Nanzan University, Nagoya
10.	Dr. Sueo Sudo	Faculty of Political Science, Thammasat University
11.	Prof. Chosein Yamahata, PhD	Department of Policy Studies, Aichi Gakuin University
12.	Prof. William Tow, PhD	Department of International Relations, Coral Bell School of Asia-Pacific Affairs, Australian National University
13.	Prof. John Blaxland, PhD	ANU Southeast Asia Institute & Strategic and Defence Studies Centre, Coral Bell School of Asia-Pacific Affairs, Australian National University
14.	Dr. Greg Raymond	Strategic and Defence Studies Centre, Coral Bell School of Asia-Pacific Affairs, Australian National University
15.	Prof. Hitoshi Mitomo	Graduate School of Asia-Pacific Studies, Waseda University
16.	Senior Researcher Naoko Sakurai	The Institute of Asia-Pacific Studies (WIAPS), Waseda University
17.	Asst. Prof. John W. Cheng, PhD	School of Political Science and Economics, Waseda University
18.	Assoc. Prof. Tokio Otsuka	IT Education Center, Shumei University
19.	Assoc. Prof. Seio Nakajima	Graduate School of Asia-Pacific Studies, Waseda University
20.	Dr. Ema Tanaka	Chief Research, Foundation Multi-Media Communications (FMMC), Japan

Postgraduate Students

No.	Name	Institute
1.	Ms. Nurul Izzati Haji Mat Sani	MAPS Program, Thammasat University
2.	Mr. Hideaki Shirakata	MAPS Program, Thammasat University
3.	Ms. Norin Rachny Nget	MAPS Program, Thammasat University
4.	Mr. Un Samnang	MAPS Program, Thammasat University
5.	Ms. Su Sandarr Than	MAPS Program, Thammasat University
6.	Mr. Thu Rein Saw Htut Naing	MAPS Program, Thammasat University
7.	Ms. Palden	MAPS Program, Thammasat University
8.	Mr. Muhammad Shobaruddin	MAPS Program, Thammasat University
9.	Ms. Luong Anh Linh	MAPS Program, Thammasat University
10.	Ms. Do Thi Chang	MAPS Program, Thammasat University
11.	Mr. Inwita Erlangga	MAPS Program, Thammasat University
12.	Mr. Chayapreuk Kongchan	MAPS Program, Thammasat University
13.	Ms. Youngkyoung Seo	GSAPS, Waseda University
14.	Ms. Artima Kamplean	GSAPS, Waseda University
15.	Mr. Yikeshan Nuermaimaiti	Meiji University
16.	Ms. Vo Thi Anh Dinh	Aichi Gakuin University
17.	Ms. Paveenasuda Sriphaya	College of Innovation, Thammasat University
18.	Ms. Alisa Teerasakdapong	College of Innovation, Thammasat University
19.	Ms. Jutaporn Rotwittayathon	Faculty of Political Science, Thammasat University

List of Institutions

International Institutions

1. Graduate School of Asia- Pacific Studies (GSAPS), Waseda University, Japan
2. School of Political Science and Economics, Waseda University
3. The Institute of Asia-Pacific Studies (WIAPS), Waseda University
4. Meiji University, Japan
5. Coral Bell School of Asia Pacific Affairs, ANU College of Asia & the Pacific,
Australian National University, Australia
6. University of Canterbury, New Zealand
7. Kyoto University, Japan
8. Aichi Gakuin University, Japan
9. Nanzan University, Nagoya, Japan
10. Shumei University, Japan
11. Foundation of Multimedia Communications (FMCC), Japan

Thai Institutions

1. Thammasat Institute of Area-Studies (TIARA), Thammasat University
2. Master of Arts in Asia-Pacific Studies (MAPS) Program, Thammasat University
3. Faculty of Political Science, Thammasat University
4. Faculty of Liberal Arts, Thammasat University
5. College of Innovation, Thammasat University
6. Faculty of Economics, Chiang Mai University
7. Mae Fah Luang University

Conference Schedule

Wednesday, 5 December 2018	
Venue: The Restaurant	
18.00 -20.00	Cocktail Reception
Thursday, 6 December 2018	
Venue: Napalai B	
08.30 - 09.00	Registration
09.00 - 09.10	<p>Opening Performance by MAPS students</p> <ul style="list-style-type: none"> ▪ Ms. Anggia Kusuma Pithaloka (Indonesia) ▪ Mr. Alim Bubu Swarga (Indonesia) ▪ Ms. Nguyen Thu Thao (Vietnam) ▪ Mr. Muhammad Shobaruddin (Indonesia) ▪ Mr. Irwita Erlangga (Indonesia) ▪ Ms. Nurul Izzati Haji Mat Sani (Brunei Darussalam)
09.10 - 09.15	Report by Associate. Prof. Dr. Suphat Suphachalasai, Director of Thammasat Institute of Area Studies (TIARA) and Master of Arts in Asia-Pacific Studies Program
09.15 – 09.30	Keynote Address by Assoc. Prof. Gesinee Witoonchart, Rector of Thammasat University
09.30 - 09.40	Photo Session
09.40 – 11.00	<p><u>Session I: Economics, Trade, and Development in the Asia-Pacific</u></p> <p>(1) <i>“The Interregional Trade between Latin America and the Caribbean and the Asia-Pacific: The East Asian Perspectives”</i> by Asst. Prof. Dr. Chaowarit Chaowsangrat, Faculty of Liberal Arts, Thammasat University</p> <p>(2) <i>“From Cash to Cards: The Impact of Overtaken Cash by Pre-paid Card Payment on Economic Growth”</i> by Dr. Tatcha Sudtasan, Faculty of Economics, Chiang Mai University</p> <p>Chair: Dr. Supruet Thavornytikarn, Faculty of Economics, Thammasat University</p>
11.00 – 11.10	Coffee Break

Thursday, 6 December 2018

Venue: Napalai B

11.10 – 13.00

Post Graduate Session I: International Relations and Political Issues in the Asia-Pacific

- (1) *“Repression of Communist Party of Vietnam towards Political Opposition: A Case Study of Viet Tan”* by Ms. Do Thi Chang, MAPS Thammasat University
 - Commentator: **Prof. William T. Tow, Coral Bell School of Asia-Pacific Studies, Australian National University**

- (2) *“Cambodia’s Foreign Policy and China’s Influence during Khmer Rouge Era from 1975 to 1979”* by Mr. Un Samnang, MAPS Thammasat University
 - Commentator: **Asst.Prof.Dr. Jittipat Poonkham, Faculty of Political Science, Thammasat University**

- (3) *“Myanmar- China Relations (2003-2011)”* by Mr. Thu Rein Saw Htut Naing, MAPS Thammasat University
 - Commentator: **Prof. Chosein Yamahata, Department of Policy Studies, Aichi Gakuin University**

- (4) *“An Alternative Views of South China Sea Disputes: Significance of Locations”* by Ms. Luong Anh Linh, MAPS Thammasat University
 - Commentator: **Dr. Sueo Sudo, Faculty of Political Science, Thammasat University**

Chair: **Prof. John Blaxland, ANU Southeast Asia Institute & Strategic and Defence Studies Centre, Coral Bell School of Asia-Pacific Affairs, Australian National University**

13.00 – 14.00

Lunch at the Restaurant

Parallel sessions

Venue: Napalai B

Venue: Bor Fai 1

14.00 – 17.00

Post Graduate Session II: Aid and Social Development in the Asia-Pacific Region

- (1) *“The Evaluation of Japanese ODA to the Vietnamese Farmers”* by Mr. Hideaki Shirakata, MAPS, Thammasat University

Post Graduate Session III: Trade and Investment in the Asia-Pacific Region

- (1) *“International Competitive Advantage of Tuna Canneries: A Comparative Study between Indonesia and Thailand by Using Porter’s Diamond Model”* by Mr. Muhammad

- Commentator: **Prof. David M. Potter**,
Faculty of Policy Studies, Nanzan University

(2) *“Success of Female Entrepreneurship in Male Dominated Economy in Bhutan”* by Ms. Palden, MAPS Thammasat University

- Commentator: **Asst. Prof. Dr. Tavida Kamolvej**, Faculty of Political Science, Thammasat University

(3) *“Community – based Tourism in Creating Impacts for Rural Communities: A Case Study Nglanggeran Tourist Village in Yogyakarta, Indonesia”* by Mr. Irwita Erlangga, MAPS Thammasat University

- Commentator: **Assoc. Prof. Dr. Chanin Mephokee**, Faculty of Economics, Thammasat University

(4) *“The Effects of Royal Decree on Managing the Work of Aliens B.E. 2560 (2017 A.D.) on Myanmar Migrant Workers”* by Ms. Su Sandarr Than, MAPS Thammasat University

- Commentator: **Dr. Thanikul Chantra**, Mae Fah Luang University

(5) *“Health Risk Analysis of Children in Hiep Duc and Que Son Villages: From Human Security Viewpoint”* by Ms. Vo Thi Anh Dinh, Aichi Gakuin University

- Commentator: **Dr. Takashi Tsukamoto**, Faculty of Political Science, Thammasat University

Shobaruddin, MAPS Thammasat University

- Commentator: **Asst. Prof. Dr. M.L. Pinitbhand Paribatra**, Faculty of Political Science, Thammasat University

(2) *“Factors Affecting Rose Industry Development in Cambodia”* by Ms. Nget Norin Rachny, MAPS Thammasat University

- Commentator: **Asst.Prof. Dr. Sunida Aroonpipat**, Faculty of Political Science, Thammasat University

(3) *“An Analysis of Factors Affecting the Intention to Use Bitcoin”* by Ms. Alisa Teerasakdapong and Dr Manit Satitsamitpong, College of Innovation, Thammasat University

- Commentator: **Asst.Prof. Dr. Pornthep Benyaapikul**, Faculty of Economics, Thammasat University

(4) *“RMB Trade Settlement and CNH: Occurrence of RMB Offshore Market and Its Impact on China’s International Trade”* by Mr. Yikeshan Nuermaimaiti, Meiji University

- Commentator: **Mr. Jaseem Ahmed**, Former Secretary- General of the Islamic Financial Services Board (IFSB)

(5) *“Political Maneuvring and Trade Liberalization in Japan”* by Mr. Chayapreuk Kongchan MAPS Thammasat University

	<p>(6) <i>“Internationalization or Non-Internationalization to The Implementation of Japanese’s ODA.”</i> by Ms. Jutaporn Rotwittayathon, Faculty of Political Science, Thammasat University</p> <ul style="list-style-type: none"> ▪ Commentator: Assoc.Prof. Dr. Chanin Mephokee, Faculty of Economics, Thammasat University (TBC) <p>Chair: Senior Lecturer Ai Hisano, Graduate School of Economics, Kyoto University</p>	<ul style="list-style-type: none"> ▪ Commentator: Senior Asst. Prof. Masami Saito, Meiji University <p>Chair: Asst. Prof. Dr. Jittipat Poonkham, Faculty of Political Science, Thammasat University</p>
16.00 - 16.15	Coffee Break (to be served in Seminar Room)	
18.30 - 20.30	Conference Dinner at Rim Talay Bar & Grilled	

Friday, 7 December 2018

Parallel Sessions	Asia-Pacific Studies Session	Concordance Session: Telecommunication and ICT Development Policy in the Asia-Pacific Region
	Venue: Napalai B	Venue: Bor Fai 1
	08.30 -09.45	8.30 - 10.10
	<p><u>Panel on ASEAN Studies</u></p> <p>(1) <i>“Industry Agglomeration and Dispersion in ASEAN Economies: Location Shifting and Spatial Organization of Japanese Multinational Corporations”</i> by Senior Asst. Prof. Masami Saito, Meiji University</p> <p>(2) <i>“Initiatives of ASEAN for Promotion of Women’s Rights: The Activities of Women’s Organizations towards Sustainable Development”</i> by Asst. Prof. Makiko Takeda, Aichi Gakuin University</p> <p>(3) <i>“South Korean New Southern Policy and Its Impacts on ASEAN”</i> by Assoc.Prof. Dr. Chanin Mephokee, Faculty of Economics, Thammasat University</p> <p>Chair: Assist Prof. Dr. Pornthep Benyaapikul, Director of ASEAN Studies Centre, Thammasat University</p>	<p><u>Session I: ICT and Disaster Management</u></p> <p>(1) <i>“Intention of Providing Personal Information in Exchange for Receiving Big-Data Services in Times of Large-Scale Disasters”</i> by Prof. Hitoshi Mitomo, Graduate School of Asia-Pacific Studies (GSAPS) and Senior Researcher Naoko Sakurai, The Institute of Asia-Pacific Studies (WIAPS), Waseda University</p> <p>(2) <i>“Usage and Perceived Images of Mass and Internet Media in the 2016 Kumamoto Earthquake in Japan”</i> by Asst. Prof. Dr. John Cheng, School of Political Science and Economics, Waseda University</p> <p>(3) <i>“Evaluating the Value of Employment by Local Media during Restoration from Earthquakes”</i> by Assoc.Prof. Dr. Tokio Otsuka, Shumei University</p> <p>(4) <i>“Archiving Disasters: A Case Study of the Great Eastern Japan Earthquake, 3.11, 2011”</i> by Assoc. Prof. Dr. Seio Nakajima, Graduate School of Asia-Pacific Studies (GSAPS), Waseda University</p>

		<p>(5) “Collaborative Mechanism of Enhanced Emergency Local Alerts (L-Alert) in Japan” by Dr. Ema Tanaka, Foundation Multi-Media Communication</p> <p>Chair: Assoc. Prof. Dr. Tavida Kamolvej, Dean, Faculty of Political Science, Thammasat University</p>
10.00 - 10.15	Coffee Break	
	10.15 - 12.00	10.25 - 12.05
	<p><u>Panel on Asia – Pacific Studies</u></p> <p>(1) “Q-method Findings on Thai Attitudes to Their Engagement with Politics” by Dr. Lindsey Te Ata o Tu MacDonald, University of Canterbury</p> <p>(2) “Political Participation of Young Generation during Conflict in Southern Thailand” by Dr. Thanikun Chantra, Mae Fah Luang University</p> <p>(3) “Multicultural Discourse and Plural Monocultural Practice in the Deep South of Thailand” by Dr. Takashi Tsukamoto, Faculty of Political Science, Thammasat University</p> <p>Chair: Dr. Supruet Thavornyutikarn, Faculty of Economics and Director of India Studies Centre, Thammasat University</p>	<p><u>Session II: Post Graduate Conference on Telecommunication and ICT Development Policy in the Asia-Pacific Region</u></p> <p>(1) “Majority Syncing Bias to the Fad in Digital Society: the Case of South Korea” by Ms. Youngkyoung Seo, GSAPS, Waseda University, Japan</p> <ul style="list-style-type: none"> ▪ Commentator: Asst. Prof. Dr. Pornthep Benyaapikul, Faculty of Economics, Thammasat University <p>(2) “The Effect of Mainstream Media Reporting on Fake News to Audience Media Literacy” by Ms. Artima Kamplean, GSAPS, Waseda University, Japan</p> <ul style="list-style-type: none"> ▪ Commentator: Asst. Prof. Dr., Jittipat Poonkham, Faculty of Polical Science, Thammasat University <p>(3) “ The Perception of Brunei’s Micro and Small Food Entrepreneurs on the Utilization of Online Market through Social Media Platform” by Ms. Nurul</p>

		<p>Izzati Hj Mat Sani, MAPS Thammasat University</p> <ul style="list-style-type: none"> ▪ Commentator: Asst. Prof. Dr. John Cheng, School of Political Science and Economics, Waseda University <p>(4) “ <i>Governance and Blockchain: How Blockchain Technology will Improve Corporate Governance in Thai Listed Companies</i>” by Ms. Paveenasuda Sriphaya and Dr Manit Satitsamitpong, College of Innovation, Thammasat University</p> <ul style="list-style-type: none"> ▪ Commentator: Asst. Prof. Dr. Pornthep Benyaapikul, Faculty of Economics, Thammasat University <p>Chair: Prof. Hitoshi Mitomo, Graduate School of Asia-Pacific Studies, Waseda University</p> <p>Closing the Telecommunication Session by Prof. Hitoshi Mitomo, Dean, Graduate School of Asia-Pacific Studies (GSAPS), Waseda University</p>
12.00 - 13.00	Lunch at The Restaurant	
	Venue: Napalai B	
13.00- 14.30	<p><u>Panel on Japanese Studies</u></p> <p>(1) “<i>Strategy, Security, and Japan’s Foreign Aid to Southeast Asia</i>” by Prof. David M. Potter, Faculty of Policy Studies, Nanzan University, Nagoya</p> <p>(2) “<i>Strategizing the Mekong Subregion: Making Sense of Japan’s New ASEAN Policy</i>” by Prof. Sueo Sudo, Faculty of Political Science, Thammasat University</p>	

	<p>(3) <i>“The Factor of Japan – Burma- India in Multiple Dimension on the ASEAN Landscape”</i> by Prof. Chosein Yamahata, Department of Policy Studies, Aichi Gakuin University, Nisshin, Japan</p> <p>Chair: Dr. Takashi Tsukamoto, Faculty of Political Science and Director of Thai APEC Study Center and the Australian Studies Centre, Thammasat Institute of Area Studies, Thammasat University</p>
14.30 – 14.45	Coffee Break
14.45 – 16.30	<p><u>Panel on Australian Studies</u></p> <p>(1) <i>“Asia-Pacific Security Order- Building: The Australian Dimension”</i> by Prof. William T. Tow, Department of International Relations, Coral Bell School of Asia Pacific Affairs, ANU College of Asia & Pacific, Australian National University</p> <p>(2) <i>“A Geostrategic SWOT Analysis for Australia”</i> by Prof. John Blaxland, ANU Southeast Asia Institute & Strategic and Defence Studies Centre, Coral Bell School of Asia Pacific Affairs, ANU College of Asia & Pacific, Australian National University</p> <p>(3) <i>“The United States – Thailand Alliance – A Site of Memory Approach”</i> by Dr. Greg Raymond, Strategic and Defence Studies Centre, Coral Bell School of Asia Pacific Affairs, ANU College of Asia & Pacific, Australian National University</p> <p>Chair: Asst.Prof. Dr. Tavid Kamolvej, Dean of Faculty of Political Science, Thammasat University</p>
16.30 -16.45	Closing by Assoc. Prof. Dr. Suphat Suphachalasai, Director of Thammasat Institute of Area Studies (TIARA) and Master of Arts in Asia-Pacific Studies Program (MAPS)
18.30	Farewell Dinner at The Restaurant

SELECTED PUBLICATIONS

Strategy, Security, and Japan's Foreign Aid to Southeast Asia

David M. Potter

potter@nanzan-u.ac.jp

Abstract

Japan is developing a grand strategy for “international cooperation”, a mix of official development assistance (ODA) policy and other policy tools, most notably security policy, that is currently a feature of the Abe administration’s “proactive contribution to peace.” The research asks how this new aid is strategic and how it understands the concept of security. Finally, what does Japanese aid to Southeast Asia tell us about these two points? This article addresses these questions in two ways. First, it clarifies what is meant by “strategic aid” by analyzing the concept through three lenses: strategic thinking, organization, and allocation of aid. Second, it provides an analytical framework for measuring strategic aid, through which examine Japan’s aid to Southeast Asia and to the Philippines is analyzed.

1. Introduction

During the Cold War Japanese aid was given with an eye to the achievement of foreign, economic, and international security policy goals, especially promotion of Japanese exports and support of the western alliance system. Such an approach was consistent with the outline of the Yoshida Doctrine, the de facto foreign policy grand strategy on the day (Pyle 2007). But Japanese aid officials carefully avoided using the term “strategic aid” (Orr, 1989, 82) and, to the extent that security meant direct involvement in conflict, avoided that, too.

Much has changed since then. Richard Samuels (2007), among others, has detailed the Japanese government’s search for a foreign policy grand strategy to replace the post-war Yoshida Doctrine which was based on unequal alliance with United States, a commitment to a version of pacifism, and reliance on economic instruments of foreign policy. Today,

Japanese leaders openly speak of strategy and security, especially since 2000. Prime Minister Abe’s formulation of a “proactive contribution to peace” is a culmination of a

two-decade debate on this new grand strategy. Changes in defense policy have been most prominent, with increasingly permissive rules for Self-Defense Force dispatch to post-conflict situation and support for American military operations during the Koizumi administration (2001-2006) paving the way for upgrade of the Japan Defense Agency to full ministry status in 2006 and enactment of a security law in 2015 to effect the second Abe administration’s reinterpretation of Article 9 of the constitution allowing collective self-defense and support of “important friendly countries” in the event of hostilities deemed to threaten Japan’s national interest. In this context aid policy is changing as well.

The research begins with this premise that the government of Japan is developing a grand strategy for “international cooperation”, a mix of official development assistance (ODA) policy and other policy tools, most notably security policy, that is currently a feature of the Abe administration’s “proactive contribution to peace.” The research asks how this new aid is strategic and how it understands the concept of security. Finally, what does Japanese aid to Southeast Asia tell us about these two points?

This paper addresses these questions in two ways. First, it clarifies what is meant by “strategic aid” by analyzing the concept through three lenses: strategic thinking, organization, and allocation of aid. Second, it provides an analytical framework for measuring strategic aid. Through which examine Japan’s aid Southeast Asia is analyzed.

2. Geopolitics of Asia

The geopolitics of Asia has transformed significantly in the twenty-first century. The main story is the rise of China economically, diplomatically, and militarily. Meanwhile, the strategic quadrilateral of Russia, China, Japan, and the United States has shifted toward a dualistic arrangement with Russia and China achieving rapprochement in the early 2000s, leading to greater economic and security cooperation, and the Japan-United States alliance responding to that. We now have the Asian continental powers arrayed against the maritime

powers. As was the case in the twentieth century there are no robust regional institutions that might limit security competition between these two poles.

At the same time, however, the end of Asia’s cold war conflicts (at least in Southeast; Taiwan and the Korean peninsula are still exceptions) and robust economic growth facilitated greater economic and societal connectivity in the region. In the Asia-Pacific we can discern four nested games of this connectivity. The first is Eurasian connectivity, which has taken a major step with the inauguration of China’s ambitious One Belt One Road project of building land and maritime transportation infrastructure linking Asia, Europe, and Africa. Geopolitically, completion of this project will place China once again at the center of world trade. Nested within this intercontinental game one finds ASEAN connectivity with its goals of linking the region’s economies, people, and societies. This is a more modest project consisting of providing physical infrastructure links among the member nations while removing economic and social barriers. Third, within this game one finds Mekong connectivity. Finally, a new game of Indo-Pacific connectivity has been proposed by Prime Minister Abe Shinzo, a proposal which has aroused some academic and policy interest elsewhere.

3. Analysing Strategic Aid

A grand strategy for foreign policy and the placement of foreign aid within it would entail three separate considerations: first, do foreign policy and aid decision makers think in strategic terms; second, is the policy making apparatus organized to link objective and instruments; and third, can we see a link between long-term goals and aid allocations? This section examines each in turn.

3.1 Thinking strategically

Over time the Japanese government has applied deliberate strategic thinking that links security to aid policy. This is clearly observable in the three ODA charters adopted since 1992, which have progressively added clear diplomatic and political dimensions to basic aid policy. This is true also of the Democratic Party’s proposed charter revision in 2010. Since 2003 the charters have made explicit reference to the national interest.

This trend is clearest in the way that changing post-Cold War conceptions of security have been reflected in basic aid policy. Human security, a non-traditional security concept that came of age in the post-Cold War 1990s, has become a cornerstone of the aid program. Human security was an especially attractive concept for a Japanese government trying to solve the conundrum of developing a more active international role while retaining its identity as a peaceful nation. Human security has been endorsed by prime ministers representing the left and right ends of the Japanese political spectrum. In December 1998 Prime Minister Obuchi promulgated human security as a key concept of Japanese foreign policy. The concept was formally incorporated as a key component of the new ODA Charter of 2015.

Human security has been criticized as being too ambiguous and broad-based to be analytically useful. For policy makers, on the other hand, the term's utility comes from its ambiguity and flexibility. It is attractive to Japanese aid policy makers because it provides a way to contribute to the maintenance of international security without having to engage in the politically delicate tasks of constitutional reinterpretation or commitment to increased military spending. The issues identified in the human security agenda, moreover, are amenable to action through existing ODA programs and provide an important link between development, post-conflict reconstruction, and peacebuilding.

The government of Koizumi Junichiro laid the foundations of strategic thinking more closely associated with traditional security concerns. The war on terror pursued since the September 11, 2001 multiple attacks on the United States, has accelerated a process of securitization of aid which has facilitated thinking about how aid can support security, a process not confined to Japan (Brown and Grävingholt, 2016). The links between human security and civil conflict, terrorism, and piracy since the Koizumi era allow Japan to engage constructively in the maintenance of security in its more traditional aspects as well. As prime minister, Abe Shinzo has moved this concern with traditional security farther than any previous leader, culminating in a foreign policy grand strategy of “proactive contribution to peace”, what Christopher Hughes (2015) has dubbed “the Abe Doctrine.”

The centrepiece of this new grand strategy is the National Security Strategy produced in 2013. “The Strategy first elaborates on Japan’s peaceful orientation to date and the policy of “Proactive Contribution to Peace” based on the principle of international cooperation, examines its national interests and identifies its national security objectives. Furthermore, the Strategy identifies national security challenges Japan faces, considering the trends of the security environment surrounding Japan. Finally, the Strategy presents strategic approaches to be taken for national security, with diplomatic and defense policies at their core, based on the recognition that in order to overcome the challenges and achieve its objectives, Japan needs to effectively utilize its diverse resources and promote comprehensive measures, strengthen the domestic foundation for national security and seek deeper understanding both at home and abroad, and advance efforts at various levels in a multifaceted and coordinated manner.” (2013, p.1)

The Strategy specifies guidelines for all aspects of foreign policy related to national security, “including sea, outer space, cyberspace, official development assistance (ODA) and energy” (Nation Security Strategy 2013, 2). The Strategy also ties ODA firmly to the concept of human security. In the section “Responding to Global Development and Global Issues and Realizing Human Security” the Strategy states “Japan has garnered high recognition by the international community, by its proactive contribution to global development in the world through utilizing ODA. Addressing development issues contributes to the enhancement of the global security environment, and it is necessary for Japan to strengthen its efforts as part of “Proactive Contribution to Peace” based on the principle of international cooperation (2013, 32-33).

ODA, therefore, is, depending on one’s point of view, elevated or reduced to the of an instrument of security policy. The new Development Cooperation Charter, adopted by the cabinet in February 2015 is based firmly in the National Security Strategy (Ohashi 2015, 340). The Charter document begins with a precis of the current international environment, including security issues facing Japan and then goes on to expand the scope of cooperation beyond ODA and expressly calls for linkages between aid and other policy instruments. The statement on basic policies gives priority to Japan’s role as a peaceful nation that provides aid for non-military purposes (a restatement of previous charter principle) and to

human security. The second priority issue raised in the Charter is “sharing values and security are understood to be prerequisites of nation-building (Cabinet Decision on the Development Cooperation Charter, 2015).

3.2 Organizing strategically

Reorganization of foreign and security policy making apparatus has enhanced the government’s ability to use ODA to meet new security goal. An ongoing process of administrative reform has resulted in a shift in policy agenda setting away from the middle levels of ruling party and bureaucracy to the reformed Cabinet Office (Shinoda 2007). The second Abe administration (2012 to present) has taken advantage of that shift, enhancing cabinet policy control of foreign and security policy through the establishment of a National Security Council modelled on the American version (Hughes 2015).

Aid has also undergone significant administrative reforms that have made it easier to link aid and security. In the case of human security Prime Minister Yoshiro Mori proposed an International commission on Human security at the UN Millennium Summit in 2000, co-chaired by Professor Amartya Sen and former UN High Commissioner for Refugees Sadako Ogata. It also established the Human Security Trust Fund at the UN, the largest of the UN trust funds and until recently a completely Japanese operation. In 2000, the Ministry of Foreign Affairs added a grassroots human security program to its grant aid portfolio, distributed through embassies abroad mostly for small-scale social development projects. After 2003 the links between aid and traditional security concern came to the fore, spurred in no small part by Japan’s contributions to reconstruction of Afghanistan and Iraq (Yasutomo 2014; Amakasu and Potter 2016) but also by concerns about how to enhance the foreign policy impact of an aid budget in long-term decline. Koizumi convened several advisory councils and committees to formulate both foreign policy and foreign aid strategies, in the process of which Abe played a key role as Chief Secretary. The National Security Strategy and the 2015 International Cooperation Charter should be seen as the somewhat delayed result of this process.

Aid administration has become more centralized as well. The Foreign Ministry now is authorized to set basic aid policy. JICA's reorganization as an independent administrative agency in 2003 and concentration of loan, grant, and technical assistance administration under its auspices in 2008 have streamlined of the aid program. Under the leadership of Ogata Sadako and Tanaka Akihiko human security and peacebuilding were major policy foci; the appointment of Kitaoka Shinichi, closely involved in the drafting of the NSS and

the 2015 International Cooperation Charter, to the presidency of JICA in 2015 reinforces the link between aid and human security on the one hand, but also traditional security on the other.

3.3 Allocating strategically

How aid donors distribute their assistance is a central question in the study of foreign aid. Typical studies divide independent variables among recipient need and donor diplomatic or economic advantage. The results, predictably, reveal that donor motives for giving aid are mixed. Let me narrow the field to issues of the latter. Assuming that aid is given with diplomatic or political advantage in mind we would expect allocations to reflect the following three considerations: 1) hedging against rivals; 2) networking with allies; 3) courting neutrals. Strictly speaking, there is no overarching alliance system that encompasses Asia and the United States in Japan's sole formal ally. So, let us relax strict definitions and see what we find.

There are two measures of allocation: geographic and sectoral. The former focuses on countries or world regions and predominates in statistical analyses of aid allocation, the latter focuses on the content of aid.

3.3.1 Strategic aid in Asia

Changing landscape of East Asian security

East Asian geopolitics is now driven by two asymmetric conditions. One is the rise of China, economically, politically, and militarily. This last point is significant because Beijing is clearly willing to demonstrate its naval power capabilities in the region. There is a corresponding concern as to whether and how long the United States can maintain its role as offshore balancer in Asia and thereby maintain regional security. The second condition is the

continued lack of any robust regional mechanism for dealing with China’s aspirations to hegemony. ASEAN cannot and any China-dominated organization will not. International arbitration, we have seen, is limited if one party to a dispute does not accept rulings other parties regard as binding.

This shifting geopolitical landscape has shaped Japan’s diplomatic and foreign aid policies. Posing the question this way – Who gets aid, who doesn’t and what do they get? – reveals the aid allocation patterns suggested above: hedging against rivals, networking with allies, and courting neutrals.

The most dramatic change in Japan’s aid allocations by country is away from China since 2003. The Koizumi cabinet decision to phase out loan aid to China by 2008 led to China dropping off the top ten decision to phase out loan aid to China administration announced in October 2018 that it will terminate grant aid and technical assistance in 2019. Along with the graduation of South Korea from aid recipient status earlier this means Northeast Asia is no longer a significant recipient status of Japanese aid; rather, it should be seen as a source of potential and actual aid competition between new and old donors (Kim and Potter, 2012). The shift elsewhere has been in two directions. One is Africa, where the process of deciding and implementing the MDGs solidified an international consensus on the need to focus development resources in sub-Saharan Africa.

The other redirection is back toward Asia. Here the trends are harder to see if only at the aggregate data are examined. Southeast Asia has always been central to Japanese aid distributions, so focus on geographical allocations alone does not reveal much that looks new. Moreover, since about 2004 net aid flows have been out of Southeast Asia back to Japan as former loan aid repayments exceed new disbursements.

Behind that, however, are some significant shifts. First, countries that historically have not received significant amount of Japanese aid have been prominent among the top ten recipients. Afghanistan and Iraq are examples that are best explained by the securitization of aid (Amakasu and Potter 2016; Yasutomo 2014). Closer to home India and Vietnam have

emerged as prominent recipients. The latest data from the OECD shows that, following a period from roughly 2000-2007, when the war on terror and efforts at peacebuilding and post-conflict reconstruction shifted attention to Afghanistan, Iraq and Africa, Southeast and South Asia countries are back prominently among Japan’s top ten. Myanmar’s advance to major recipient status in 2013-2014 is remarkable. These ten, moreover, represent roughly two-thirds of all bilateral aid in a given year. This should be understood as the application

of aid to the current Abe Doctrine foreign policy strategy of courting Japan’s “near abroad” as relations with close neighbors have soured (see Hughes 2015).

Table 1: Top 10 recipients of Japan’s ODA, selected years

Rank	1994	2004	2009	2013
1	China	China	Vietnam	Myanmar
2	India	Iraq	India	Vietnam
3	Indonesia	Vietnam	Indonesia	Afghanistan
4	Philippines	Malaysia	Turkey	Indonesia
5	Thailand	Philippines	Afghanistan	China
6	Syria	Sri Lanka	Thailand	Iraq
7	Pakistan	Afghanistan	China	India
8	Bangladesh	Pakistan	Pakistan	Philippines
9	Sri Lanka	Kazakhstan	Tanzania	Bangladesh
10	Egypt	Uzbekistan	Cambodia	Kenya

Source: Amakasu and Potter, 2016, p. 94.

Table 2: Top 10 recipients of Japan’s ODA, 2013-14

Rank	2013-2014	2015-2016
1	Myanmar	India
2	Vietnam	Vietnam
3	India	Bangladesh
4	Indonesia	Iraq
5	Afghanistan	Indonesia
6	Iraq	Myanmar

7	Thailand	Philippines
8	Bangladesh	Afghanistan
9	Philippines	Thailand
10	Sri Lanka	Pakistan

Source: OECD, Aid at a glance. <http://www.oecd.org/dac/stats/aid-at-a-glance.htm#donors>

ASEAN is of course the key regional organization in this distribution but there are interesting sub-patterns within allocations to its members. One is the development of strategic partnerships between ASEAN countries and Japan and the other is increased attention to maritime security.

Strategic partnerships

Since 2003 Japan has pursued a framework of strategic partnership with ASEAN as a whole and with key members individually. Strategic partnerships thrive, of course, because of the ambiguity in the term “strategic”, which can mean all things to all parties. Typically, they involve commitments to promote deeper economic, political, diplomatic, cultural, and security cooperation and thus frame rather than narrowly define questions of foreign aid. Sudo Sueo (2015b) recently defined strategic partnerships as non-military alignments of at least two states designed to reduce or eliminate the influence of an outside power. Similar to soft balancing, such partnerships use indirect tactics to counteract the influence of a hegemon. The hegemon here, as understood by the Abe administration, is China, inducing it to pursue concrete strategic partnership policies. This has included encouraging a multilateral, legally-binding code of conduct governing the South China Sea; upgrading of relations with ASEAN littoral states, including use of ODA to enhance maritime security; and careful engagement of the United States in the region, a sensitive topic about which China tends to react negatively. In this sense, strategic partnerships have been most successful with the littoral states of Vietnam, the Philippines, and Indonesia.

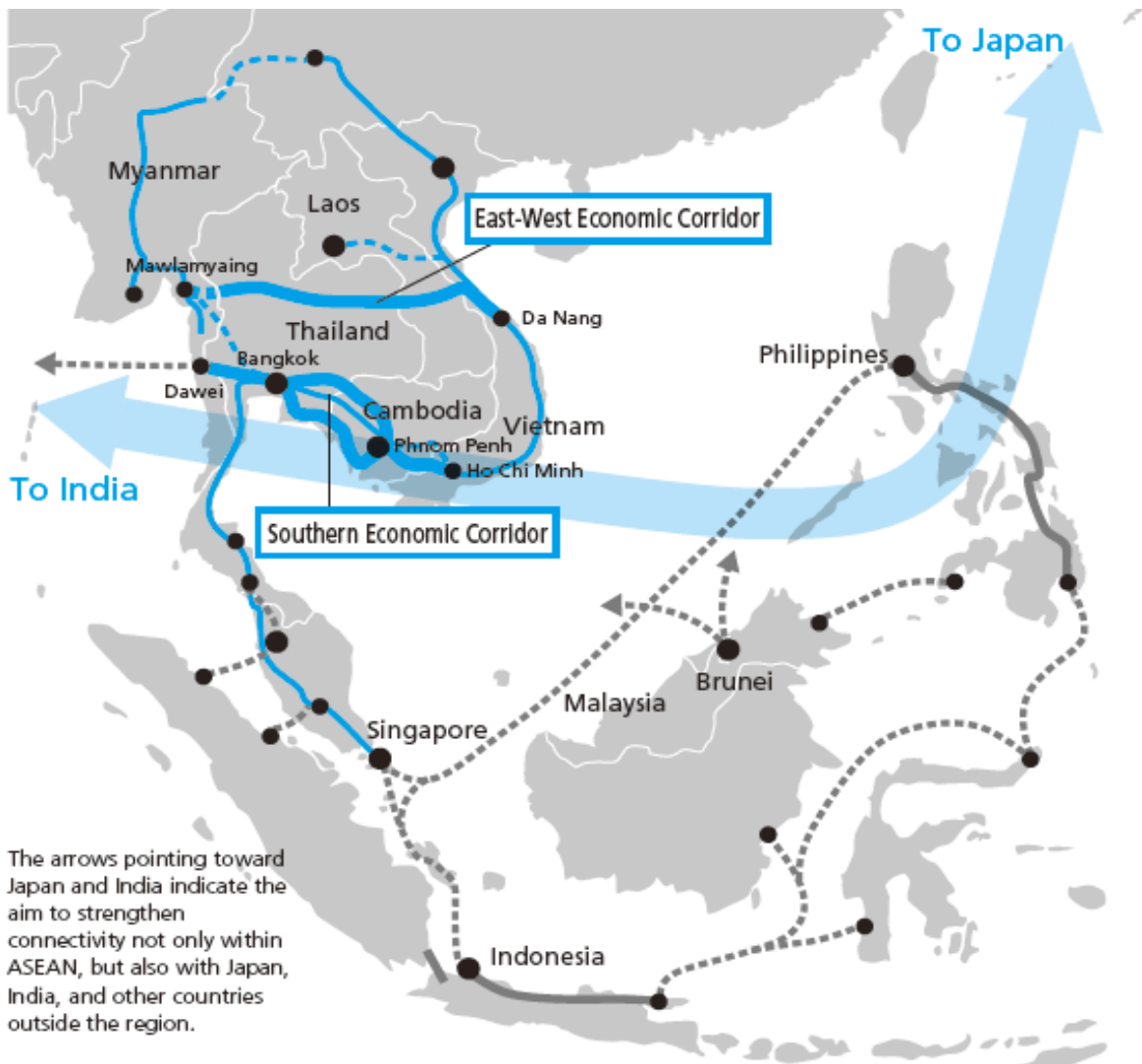
Mekong sub-region

Japan has been interested in the development of the Mekong River sub-region for many years. Economic development of the sub-region is cited expressly in the 2015 International Cooperation Charter as a priority in Japan’s aid to ASEAN. Both bilateral aid and Asian

Development Bank aid are now supporting projects in the CLMV countries. Geographic contiguity and the integration of the Indochina countries and, belatedly, Myanmar, Provide an important spatial dimension to Japan’s attempts to foster “connectivity” (both within the region and with Japan), a key goal in the promotion of the Japan-Makong Regional Partnership Program inaugurated in 2007 (Sudo 2015a, 220). An expression of the strategic dimensions of this are found in the 2011 White Paper on Japanese ODA (figure 1). The

geopolitical geometry is unmistakable. Japanese efforts to develop the CLMV have a clear geographic focus and thrust, to wit Japan and the ADB (and the United States through its Lower Mekong Initiative) are concentrating on economic infrastructure development of the region laterally from East to West. Geographically, the develop North-South connectivity, and early Japanese conceptions of Mekong development included connections with Yunnan, China. Since 2004, however, Japan has focused its aid efforts on the Lower Mekong precisely at the time China was emerging as a trade and aid rival in the sub-region and the Koizumi government was deciding to phase out infrastructure development aid to China itself. Emphasis on mainland Southeast Asia’s east-west connectivity has two potential payoffs. First, it mirrors Japan’s strategic understanding of the importance of Southeast Asian sea lanes. It may also provide an alternative to transport through the Malacca Strait, the geostrategic chokepoint between the Indian Ocean and East Asia (although a transport corridor ending in Central Vietnam does not solve the problem of an increasingly unstable South China Sea). Diplomatically, aid for East-West development has the advantage of courting neutrals like Myanmar, Cambodia, and Laos (actually more like Chinese client state) while hedging against rival China by diverting economic resources away from its borders.

Figure 1: Japan's Assistance for ASEAN Connectivity



The arrows pointing toward Japan and India indicate the aim to strengthen connectivity not only within ASEAN, but also with Japan, India, and other countries outside the region.

Land corridors

Land corridors	Under construction
East-West Economic Corridor	Connects Da Nang and Mawlamyaing.
Southern Economic Corridor	Connects Ho Chi Minh and Dawei.
Improvement of highways, international bridges, motorways, ports, etc.	

Ocean corridors

Ocean corridors	Improvement required
Connects the major cities of Malaysia, Singapore, Indonesia, Brunei, and the Philippines.	
Improvement of ports, industrial development around ports, energy, ICT improvement, etc.	

Source: Japan's Official Development Assistance White Paper 2011.

3.3.2 Sectoral Allocations

Maritime aid

The maritime dimension of Japanese security thinking cannot be overestimated. Japan's dependence on import of resources vital to maintaining an industrial economy is well known, and those resources must come across the water. In Southeast Asia Japan's maritime vulnerabilities are two-fold. Japanese vessels are disproportionately the victims of piracy in the areas surrounding the Malacca Strait (Nguyen 2013) and then that Japanese shipping passes through the South China Sea, referred to as "Asia's cockpit", an "armed camp" (Kaplan 2013), and "Asia's new battlefield" (Heydarian 2016) as tensions over territorial disputes have increased and the geopolitical consequences are understood to extend well beyond the region. A country like Japan must be committed to the principle of free maritime navigation if it cannot impose its will unilaterally. The importance of this can be seen in various recent iterations of security policy. Abe's formulation of a Democratic Security Diamond (2006) including Japan, the United States, Australia, and India, which encompasses the Indian and Pacific Oceans and the waterways that connect them, and which also consists of states that assert freedom of navigation, is a prime example. This principle was repeated in Abe's speech "the Bounty of the open Sea", intended to be delivered in Djakarta in January 2013. In that speech the prime minister gave primacy of place to the need for Japan to strengthen its ties with maritime Asia.

The principle of free navigation is spelled out in detail in the National Security Strategy. Paragraph 2 of the Fundamental Principles of National Security states that "Surrounded by sea on all sides and blessed with an immense exclusive economic zone and an extensive coastline, Japan as a maritime state has achieved economic growth through maritime trade and development of marine resources, and has pursued "Open and Stable Seas," which

are upheld by maritime order based upon such fundamental principles as the rule of law, encoring the freedom and safety of navigation and international law. More concretely, Japan will take necessary measures to address various threats in sea lanes of communication, including anti-piracy operations to ensure safe maritime transport and promote maritime security cooperation with other countries.

The Strategy specifically mentions sea lanes from the Persian Gulf, through Indian Ocean, the Straits of Malacca, and the South China Sea as “critical to Japan due to its dependence on the maritime transport of natural and energy resources from the Middle East.” (p.17) The Strategy further noted that Japan would “provide assistance to those coastal states alongside the sea lanes of communication and other states in enhancing their maritime law enforcement capabilities and strengthen cooperation with partners on the sea lanes who share strategic interests with Japan.” (p.17).

Since the mid-2000s Japanese maritime security aid to ASEAN has proceeded on two fronts. First, it has combined diplomatic assistance and technical assistance to ASEAN through coast guard, police, and counter terrorism training seminars. While such cooperation extends across the Indian Ocean, ASEAN remains a key focus. Multilateral aid is channelled through the ReCAAP. Significantly, aid is provided in cooperation between JICA and the Japan Coast Guard, an extension of smuggling, for example. Since 2004 the Coast Guard Academy and the Nippon Foundation have cooperated to boost regional cooperation in piracy and sea rescuer; since 2011 they have cooperated in providing a junior officer course specifically for officers from ASEAN countries.

Beginning with the Koizumi government Japan has increased bilateral ODA for police training in Southeast Asia and, more significantly, established a special anti-terrorism grant aid program, providing shipping surveillance and information system improvement aid to Cambodia and the Philippines. Since 2006, both loan and grant aid have been allocated to fund provision of refitted Japan Coast Guard patrol boats to Indonesia, the Philippines, Vietnam, and Djibouti, prompting amendment of Japanese vessels (Gaimusho, 2007;

Samuels, 2007, 80; Manila Bulletin August 4 2014, B12). Coast Guard vessels are classified as police equipment and not military armament but their role in Japan’s maritime security is clear.

Peacebuilding

Peacebuilding as aid policy has developed particularly under JICA’s guidance since 2000 (Amakasu and Potter 2016). JICA is the agency most committed to the linking human

security, peacebuilding, and development, a repertoire it development activities regarding conflict-to-peace transitions in fragile states and conflict-affected countries. Since 2000, Japanese ODA at both the country level and the project level has adopted peacebuilding

which aims to “prevent the occurrence and recurrence of conflicts, alleviate the various difficulties that people face during and immediately after conflicts, and subsequently achieve long-term stable development” (Japan’s Medium-Term Policy on Official Development Assistance). Peacebuilding avoids the enforcement of peace by military means, which is clearly a problem under the Constitution’s Article 9, and enables Japan to assume an active role in helping fragile states consolidate peace through aid provided by JICA and diplomatic initiative supplied by the Ministry of Foreign Affairs, Sri Lanka, sub-Saharan Africa and most famously Afghanistan and Iraq (Lam 2009; Amakasu and Potter 25016).

Japan’s aid for human security in Southeast Asia has tended to focus on the economic and social dimensions of the concept, notably poverty and economic crisis, rather than on its applicability to organized conflict (Soeya 2005; Lam 2006, 2009). Thus, it has tended to follow the freedom from want approach in human security rather than directly confronting issues of freedom from fear.

4. Conclusion

Japanese foreign and security policy has evolved since the end of the Cold War, and with this so has foreign aid policy. Since 2000 the government has added security components to aid policy, initially in the form of human security but increasingly in the form of traditional security concerns. A string of hawkish prime ministers since Mori Yoshiro has

aided this process. Prime Minister Abe and his advisors and political allies have not only thought strategically about aid but have moved to ensure that the institutional arrangement to support this thinking are in place. Aid to Southeast Asia reflects this change in strategic thinking.

The current administration in Japan has pinned a great deal on its relationship with the ASEAN countries, ranking that relationship second only to the alliance with the United States. Relations with ASEAN are critical not only for Japan’s interests in the region; Southeast Asia in the geographic linchpin that either permits or blocks East Asia’s states and economics’ access to the Indian Ocean. ODA remains an important component of Japan’s foreign policy tool kit in its relations with the region. Aid, of course, has its limitations as a tool of foreign policy.

The first and most obvious is the institutional weakness of ASEAN. ASEAN decision-making is cumbersome, time-consuming, and limited. While the ASEAN members may understand the necessity of cooperation with Japan on maritime security, for example, measures to actualize the cooperation through the ASEAN-Japan Strategic Partnership have been slow to develop and largely limited to creating a common understanding of the issues involved (Nguyen 2013). Japan’s hedging against growing Chinese influence in Southeast Asia and especially the South China Sea is muted by the ASEAN countries’ own strategies of hedging against China while trying neither to antagonize it nor forego economic advantages of growing trade ties (Kuik 2008; Ikenberry 2016). China has its own clients in the region willing to prevent a unified ASEAN foreign policy that does not meet Beijing’s approval. In the case of aid, moreover, there is evidence that recipients welcome aid from non-DAC donors like China because of it expands recipient freedom of choice (Sato et al. 2011). The final document of the New Tokyo Strategy 2015 for Mekong-Japan Cooperation welcomed Japan-United States assistance in developing the Lower Mekong, for example, but also expressed support for Japan-China cooperation in the region and bilateral frameworks with other non-traditional donors. Thus, hedging can work both ways.

Second, even when Japan has used its diplomacy to strengthen security in the region it cannot be guaranteed a warm reception. Japan has so far been limited to providing Coast

Guard training and vessels (mostly small and used) as the core component of maritime grant and loan aid. Indonesia and Malaysia have not welcomed Japanese offers of a direct role in patrolling its home waters, for example (Bradford 2004). Japan Ministry of Foreign Affairs-commissioned surveys of some 3500 ASEAN country residents, conducted in 2008 and 2014, revealed high evaluations of development assistance, somewhat less robust support for cooperation on maritime security and peacebuilding, and very limited support for a direct Japanese military role in security cooperation (NTS 2008; Ministry of Foreign Affairs of Japan 2014), suggesting support for a restrained contribution to peace in the region. The current composition of Japan's security assistance to Southeast Asia reflects not only Japan's aid capabilities but recipient states' calculations of their own interests in receiving it.

Finally, the shift to a mix of ODA and non-ODA security assistance risks undermining the developmental focus of the former. Coast guard support may be important in combatting piracy and other maritime crime issues, but it does not address the growing militarization territorial disputes in the South China Sea. The Japan-Philippines agreement on the transfer of military equipment is a significant step in changing the character of aid. This is likely to have consequences for evaluations of the quality and legitimacy of the Japanese aid program. It is likely to increase competition between policy makers who see aid in security terms, those who see it in developmental terms, and those who continue to see it as a vehicle of mercantile realism. The Abe administration has a clear grand strategy in which aid plays a part. But there are competing paradigms of aid that stress the economic development dimensions. A recent volume edited by Hiroshi Kato, John Page, and Yasutami Shimomura (2015) is representative of this approach and reflects the views of aid practitioners especially. The book explicitly links the future of Japanese aid to articulation and achievement of the UN Sustainable Development Goals and the so-called post-2015 Agenda. This approach can be seen as strategic in the third sense introduced at the beginning of this article: attempts to change or influence the rules or framework of the international aid regime. But this is qualitatively different from the strategic calculations discussed in this article. The human security approach currently addresses both security and developmental concerns, but the advocates of human security's freedom want

emphasis are also those most sceptical of linkages between aid and traditional security concerns.

Bibliography

- Abe, S. (2012) Asia's Democratic Security Diamond. Project-Syndicate. www.project-syndicate.org/commentary/a-strategic-alliance-for-japan-and-india-by-shinzo-abe?barrier=accesspaylog. Accessed August 10, 2016.
- Abe, S (2013) The Bounty of the Open Seas: Five New Principles for Japanese Diplomacy. https://japan.kantei.go.jp/96_abe/statement/201301/18speech_e.html. Accessed August 10, 2016.
- Amakasu, P. and Potter, D.M. (2016) "Peacebuilding and the human securitization of Japan's foreign aid", in S. Brown and J. Gravingholt (eds.) *The Securitization of Foreign Aid* (85-112). New York: Palgrave.
- Heydarian, J. (2016) *Asia's New Battlefield*. Manila: Anvil Press.
- Hook, Steven 1995. *National Interest and Foreign Aid*. Boulder, CO: Lynne Rienner.
- Hook, Steven and Zhang, Guong (1998) "Japan's Aid Policy Since the Cold War: Rhetoric and Reality," *Asian Survey* 38(11): 1051-1066.
- Hughes, C. 2015 *Japan's Foreign and Security Policy under the 'Abe Doctrine'* New York: Palgrave Macmillan.
- Ikenberry, G.J. 2016 *Between the Eagle and the Dragon: America, China, and Middle State Strategies in East Asia*. *Political Studies Quarterly* 131:1 (9-44).
- Japan's Medium-Term Policy on Official Development Assistance, "Peacebuilding," Tokyo: Government of Japan, February 2005, p.14, available at <https://www.mofa.go.jp/policy/oda/mid-term/policy.pdf>, Assessed: June 29, 2011.
- Kaplan, R. (2013) *Asia's Cauldron: The South China Sea and the End of a Stable Pacific*. New York: Random House.
- Kato, H., Page, J., and Shimomura, Y. (eds.) (2015) *Japan's Development Assistance*:

- Foreign Aid and the Post-2015 Agenda. London and New York: Routledge.
- Kim, H. and Potter, D. M. (eds.) 2012 Foreign Aid Competition in Northeast Asia. Sterling, VA: Kumarian/Stylus.
- Kuik, C. (2008) "The Essence of Hedging: Malaysia and Singapore's Response to a Rising China," *Contemporary Southeast Asia* 30(2): 159-185.
- Lam, P.E. (2006) "Japan's Human Security Role in Southeast Asia," *Contemporary Southeast Asia* 28(1): 141-159.
- Lam, P.E. (2009) *Japan's Peace-building Diplomacy in Asia*. New York and London: Routledge.
- Ministry of Foreign Affairs of Japan (2014) ASEAN Study. https://www.mofa.go.jp/press/release/press4e_000271.html. Accessed September 2, 2016.
- Ministry of Foreign Affairs of Japan (2015) Cabinet Decision on the Development Cooperation Charter, 2015. [Mofa.go.jp](http://mofa.go.jp). Accessed August 29, 2016.
- Nguyen, H. S. (2013) "ASEAN-Japan Strategic Partnership in Southeast Asia: Maritime Security and Cooperation," in R. Sukma and Y. Soeya, (eds.) *Beyond 2015: ASEAN-Japan Strategic Partnership for Democracy, Peace, and Prosperity in Southeast Asia* (214-227). Tokyo: Japan Center for International Cooperation.
- Office of the Prime Minister (2013) National Security Strategy. Japan.kantei.go.jp. Accessed September 2, 2016.
- Ohashi, M. (2015) "NGOs and Japan's ODA: Critical Views and Advocacy," in H. Kato, J. Page, and Y. Shimomura (eds.) (327-343) *Japan's Development Assistance: Foreign Aid and the Post-2015 Agenda*. London and New York: Routledge.
- Orr, R. (1989) "The Rising Sun: What Makes Japan Give? The International Economy (September/October): 80-84.
- Pyle, K (2007) *Japan Rising*. New York: Public Affairs.
- Samuels, R. (2007) *Securing Japan*. Ithaca: Cornell University Press.
- Sato, J. et al. (2011) "Emerging Donors" from a Recipient Perspective: An Institutional Analysis of Foreign Aid to Cambodia," *World Development* 39(12): 2061-2104.
- Schraeder, Peter, Steven Hook, and Bruce Taylor (1998) "Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French, and Swedish Aid," *World Politics* 50(2): 294-323.
- Shinoda, T. (2007) *Koizumi Diplomacy*. Seattle: University of

Washington Press.

Shiraishi, T. and Kojima, T. (eds.) (2014) ASEAN-Japan Relations. Singapore: ISEAS.

Soeya, Y. (2005) Midoru Pawaa Gaikou Tokyo: Keiso Shobo.

Sudo, S. (2015a) Japan's ASEAN Policy: In Search of Proactive Multilateralism. Singapore: ISEAS.

Sudo, S. 2015b Japan's New Strategy towards ASEAN Relations. Presentation at the Asian Universities Forum on Advances in Research, Aichi Gakuin University, Nagoya, November 2.

Yasutomo, D. (2014) Japan's Civil-Military Diplomacy. New York and London: Routledge.

Repression of Communist Party of Vietnam towards Political Oppositions: A Case Study of Viet Tan

Do Thi Chang

changdodph@gmail.com

Abstract

This research aims to examine how Communist Party of Vietnam has been suppressing and eliminating political oppositions. While many scholars indicate the involvements of the factors such as Penal Code, Constitution or other regulations as repression tactics of the authority, this research looks at “indirect ways” and found that the concepts of “Ho Chi Minh’s thought”, “nationalism” or “propaganda” helped Communist Party of Vietnam to legitimize themselves successfully and create negative sentiments to people towards dissidents or “hostile forces”. This paper applies the theoretical framework of authoritarianism to analyze the methods that Communist Party of Vietnam carried out to maintain its dominant power from 1986 to 2004. Secondary data resources in both Vietnamese and English would be collected and analyzed. In addition, this study also chooses Vietnam Reform Revolution Party as a case study to describe how those “indirect ways” impact on political oppositions. In summary, this research explores that Communist Party of Vietnam does not allow any political opposition to exist and challenge its power. Besides a systematic regulation, other “indirect ways” such as spreading “Ho Chi Minh’s thought”, “nationalism” or “propaganda” become effective instruments to repress dissidents and other political organizations, including Vietnam Reform Revolution Party.

1. Introduction

The collapse of socialism in European, especially The Union of Soviet Socialist Republics, commonly called as the Soviet Union, in 1991 resulted in political crises towards socialist countries in the world. While transformation from autocracy and military dictatorship into democracy took place worldwide, Vietnam overcame this incident to maintain the dominance of the Communist Party until now.

Established by Ho Chi Minh since 1930, the Communist Party of Vietnam (henceforth called CPV for short) gained several achievements during the resistance's history, especially defeating France in 1954 to create an independent country of Democratic Republic of Vietnam. More importantly, CPV also succeeded in reunifying country in 1975 and assuming its leading role nationwide in Vietnam since then.

As an unavoidable consequence of the only-one party system, CPV has been challenged by political opposition, who asked for political pluralism in Vietnam. Many were accused of being descendants from the old regime in South Vietnam, the enemy of CPV during the Vietnam War from 1954 to 1975. This political confrontation derived from the signing of Geneva Agreement in 1954, dividing Vietnam into two parts at the 17th parallel. Since 1956, a prolonged war exploded between two governments: The conflict between Democratic Republic of Vietnam in the North and Republic of Vietnam in the South and finally ended up with the winning of CPV on April 30th, 1975.

The fall of Saigon led to a massive migration of more than 2 million people, who fled abroad to avoid CPV's harassment because of their involvements with South government (Miller, 2015). Hence, the Vietnamese overseas community was quickly established and believed to have a connection with current political opposition. The Vietnam Reform Revolutionary Party or Viet Tan (henceforth called Viet Tan) emerged in this situation. Despite its headquarter in California, the United State, Viet Tan infiltrated into domestic society through various forms and aimed at reforming Vietnam's political system, which threatened the survival of CPV.

In response, CPV took advantage of its dominance to repress Viet Tan party as well as other political opposition, to maintain its authoritarian regime. "How does the Communist Party of Vietnam repress political opposition?" is the question I will answer in this paper.

2. Methodology

2.1 Research Design

2.1.1 Qualitative with Case Study Research Method

i. Qualitative methodology

This research employs qualitative methodology to answer the main question: “How does the Communist Party of Vietnam repress political opposition?” The researcher examines “indirect ways” that CPV has been using to repress the political opposition. Qualitative methodology is suitable to explore how the factors of “Ho Chi Minh Thought”, “nationalism” or “propaganda” has helped CPV to gain the community’s solidarity and building up anti-sentiment towards the political opposition.

ii. Combination of case study and narrative research method

This paper uses Vietnam Reform Revolutionary Party (or Viet Tan for short) as a case study. As its grassroots from the legacy of the old regime in the South before 1975, Viet Tan is a typical example to describe how CPV uses the term of “nationalism” to warn the Vietnamese about the ambiguous plots of hostile forces, trying to break “the great national unity” and the revolutionary achievements in the past. By this way, the effort of Viet Tan to access Vietnam’s society has been challenged.

In addition, narrative approach, which applies storytelling, interview records or pictures, etc. would be used to examine the effectiveness of the indirect repression ways in strengthening public trust on CPV and weakening the capacity of political opposition, especially Viet Tan party, to access domestic society and gain the massive approval.

2.2 Collection of Data

2.2.1 Secondary data

Because CPV conducted these indirect ways within Vietnam, secondary data in both English and Vietnamese has been used for documentary analysis. The secondary data resources in Vietnamese are derived mainly from journal articles; released official documents, books; thesis research or the official channels of CPV such as Tap Chi Cong San, Cong An Nhan Dan, etc. Besides, the researcher also plans to approach the non-governmental website.

Those are usually blocked by the firewall when accessing in Vietnam such as thoibao.de; Viettan.org; Vietnam.net; Tuoi Tre or VnExpress, etc.

In addition, English resources, including journal articles or books from international researchers, such as Zachary Abuza; Muthiah Alagappa or Carlyle A Thayer, etc and websites of Amnesty International, Human Right Watch, United Nation, The Reuters or The Guardian, will also be consulted.

This study’s literature review is mainly conducted through academic publications on Google Scholar, which were found by specific keywords such as “Repression in Vietnam”; “Political oppositions”; “Vietnamese boat people”; “the fall of Saigon”; “nationalism”; or “Ho Chi Minh thought”.

2.3 Research Scope

The time scope of this study is from 1986 to 2004. This is because after reunification 1975, Vietnam, under the rule of CPV, soon fell into many economic, political and ideological crises. Public trust on CPV was seriously affected because of the continuous failures of strains of war with Khmer Rouge and China, and Hanoi’s neo-Stalinist system of central economic planning. Meanwhile, the Soviet Union, the most powerful supporter of socialist bloc, was also in economic and political instability in the 1980s.

To ensure CPV’s power, Doi Moi – the economic revolution was launched in 1986 to gain public trust. By opening its economy, Vietnam had to follow many international regulations, including human right and democracy treaties. Besides, the nature of political opposition also became diversified, under many formats of activity on the fields of environment, human right, democracy, etc. Parallel with that transformation, Viet Tan also made its actions various and was the key organization in supporting finance for internal pro-democracy activists. Therefore, CPV seems to have some certain concessions towards those regime dissidents and organizations under the pressure of international law since 1986.

In addition, because of the breakdown of Marxist – Leninist ideology after the international communism crisis, CPV began to encourage “Ho Chi Minh thought” and Uncle Ho’s

charismatic leadership to strengthen their legitimacy. The phrase “great national unity”, which was used repeatedly by Ho Chi Minh, was applied to build up public trust on CPV and became an effective instrument to prevent the intervention of political opposition from outside, especially Viet Tan.

On the other hand, a Penal Code was adopted for the first time in 1985. Then, it became the first legal instrument for CPV to sentence those against communist ideology by Article 82 for “Conducting propaganda against the Socialist Republic of Vietnam” (then amended into Article 88 since 1999 until now) and Article 73 for “Carrying out activities aimed at overthrowing the people’s administration” (then amended into Article 79 since 1999 until now). Therefore, the Penal code became an effective instrument to eliminate political opposition legally.

Since 2004, Viet Tan changed its tactic into public and used peaceful means to infiltrate Vietnam’s society. Human rights, democracy or environmental activists in Vietnam were alleged to be members of Viet Tan. Henceforth, repressions through the direct ways, especially Penal Code, became more popular while other indirect ways have remained. Therefore, the author chose the period from 1986 to 2004 as time scope in this study.

3. Literature Review

Thanks to their success in defeating France and creating an independent country in the North, Democratic Republic of Vietnam, in 1945, the leading role of CPV was recognized and supported by the majority of northern citizens. By totally controlling the North, including art and literature activities; resulted in the emergence of “northern intellectual dissidents”, known as Nhan Van Giai Pham Movement on the art and literature in 1958. Artists in this group used their writing to criticize Hanoi authority’s dominance and call for freedom for art and literature. After the fall of Saigon in 1975, the number of dissidents increased rapidly and created a premise for the diversity of political opposition since 1986. These dissidents were supposedly descendants of the South government before 1975 and fled abroad to avoid CPV’s retaliation.

In a causal response, many crackdowns were executed by CPV to disable the negative impact of these political oppositions since 1958. The suppression methods were flexibly applied in a certain period.

3.1 Sentencing intellectual dissident from 1958 to 1982

Many scholars such as Schütte (2003), Szalontai (2005), Thuy Khue (2012) and Dang Chi Hung (2012), for example, discovered that the emergence of Nhan Van Giai Pham, a group of artists asking for freedom on Art and Literature in 1955, stirred up the repression tactic of CPV in North Vietnam in 1958.

While Dang Chi Hung (2012), Nguyen Hung Quoc (2011) and other supporters described them as “courageous intellectuals” when reporting truthfully about the poverty and injustice of the North’s society under the rule of CPV, a group of 83 artists (1959) in a book, called “*Bọn Nhân văn Giai phẩm trước tòa án dư luận*” (tentatively translated as *Nhan van Giai pham cliques in the court of public opinion*), named them as “subversives” or “reactionaries”, who deflected from the Communist Party’s guidance to exhort capitalism. Many were imprisoned for years from 1959 onwards.

Kiernan (2017) indicated that CPV carried out a crackdown towards those members of this group in 1958 by sentencing some prominent dissidents heavily: Nguyen Huu Dang and Le Thi Yen to 15 years in jail and 5 years probation; Tran Thieu Bao to 10 and 5 years respectively; Phan Tai to 6 and 3 years respectively; and Le Nguyen Chi for 5 and 3 years respectively. Meanwhile, other writers were also treated harshly in discrimination by “expulsion from professional associations and brief terms of political rectification through hard labor” or “bureaucratic harassment, low-level surveillance and institutional discrimination”. Kiernan argued that this suppression lasted until 1982 and culminated with the arrest of Hoang Cam and Hoang Hung when they were trying to bring “*Ve Kinh Bac*” abroad, a poetry collection composed by members of Nhan Van Gia Pham.

In general, this period observed a strong suppression by the CPV, mainly through imprisoning dissidents. While manifesting the conviction and physical harassment as main suppression tactic of CPV, scholars such as Thuy Khue (2012) or Dang Chi Hung (2012), who

advocated these dissent intellectuals, also indicated that CPV ordered “state-owned” writers to orient public opinion through “reactionary” accusations.

3.2 Regenerating Southern people in “reeducation camps” for years

A number of researchers, Hoang (2010), McGreal (2016) or Mollica (1998), pointed out that to eliminate the grassroots of the old regime in the South after totally control Vietnam in 1975, CPV held many “reeducation camps” to send former military offices and government employees serving in Thieu administration, obligating them to absorb Marxism – Leninist political indoctrination for years. Many detainees were harshly tortured in those camps. Meanwhile, some internal researchers, Anh (2013) and Nam (2016) criticized Southern

refugees as betrayers who left the country because of their own wealth without being repressed by CPV.

However, Hoang (2010) and Truc (2015) argued that the repression was so fierce that approximately 839.000 Vietnamese reluctantly fled abroad by small, unsafe and crowded fishing boats in the peak period of 1978 to mid-1980s, according to a statistics compiled by United Nations High Commissioner for Refugees. This was the second wave of migration after the Vietnam reunification in 1975.

3.3 Diversifying the tactic of the repression since 1986

Many scholars, Abuza (2001), Alagappa (1995), London (2014), and Vasavakul (1999) considered an economic revolution in 1986, called as Doi Moi, as a political revolution as well. The failure of “centrally planned economy” model and Soviet Union’s collapse forced Vietnam to trade with non-communist countries, which stimulated the various proliferation of political oppositions, including southern war veterans, communist intelligentsia, non-party elites, peasants, retired senior generals, political civil society and pro-democracy activists.

Both Thayer (2010) and Nguyen Hai Hong (2016) agree that besides aiming at its opposing political parties such as People’s Democratic Party of Vietnam, Vietnam Populist Party, Democratic Party of Vietnam or Bloc 8406, CPV also listed many bloggers, journals, lawyers

and activists fighting for human rights, environmental issue, or land confiscation as “reactionaries” in recent times.

Nguyen Hai Hong (2016) summarized the main repression tactic of CPV towards political opposition, including harassing lawyers, who defend political prisoners; sentencing dissidents under the provisions of Penal Code; tolerating physical attacks by non-uniform police; recruiting an army of Internet polemicist to monitor and detect online anti-government activists, bloggers or Facebook users; etc. Meanwhile, London (2014) characterized the procedure of CPV’s repression through three stages: monitoring and surveillance; harassment and intimidation towards involved people, including their family

members and employers; and finally, arrest, detention, trial, imprisonment, and house arrest after release.

In addition, London (2014) and Nguyen Hai Hong (2016) confirmed that the 1999 Penal Code and other regulations became the CPV’s main effective instruments to convict dissidents. There are more and more dissidents jailed easily but heavily recently under the charge of “Carrying out activities c (Article 79); “Conducting propaganda against the Socialist Republic of Vietnam” (Article 88) or “Abusing the rights to freedom and democracy to infringe upon the interests of the state, the rights and interests of individuals” (Article 258).

In conclusion, because of CPV’s authoritarian power, CPV has been using “*explicit ways*” or “*direct ways*” such as using regulations and adopted policies to suppress legally and easily dissidents and other political organizations. While most scholars pointed out clearly those direct ways, very few scholars mentioned about “*implicit ways*” or “*indirect ways*” such as “Ho Chi Minh’s thought”, “nationalism” or “propaganda”. Those strengthened public trust on CPV and challenge political oppositions on gaining internal Vietnamese community’s approval, especially during the period from 1986 to 2004. This study aims to fulfil this gap and extend the answer how CPV suppress political oppositions by finding out “indirect ways”.

4. Findings and Analysis

Propaganda and Ho Chi Minh thought were the main instruments of CPV in legitimizing and ensuring its dominant power from political oppositions. Applying these tasks was flexible and alternative in certain periods from 1986 to 2004.

4.1 Comprehensive propaganda system under the CPV

Ensuring a well-organized propaganda system and its effectiveness is always a high priority of CPV to keep Vietnamese society under the control since its birth in 1930. Since the reunification in 1975, the foremost objective of this system to enhance the political and ideological tasks of Party as well as conduct propaganda of Marxism-Leninism, Ho Chi Minh thought and Party's policies towards the people.

In this system, the CPV's Central Propaganda and Training Commission (hereinafter CPTC) is the highest and most important agency, which works directly and regularly with the top bodies of the party such as Political Bureau, Central Committee and Secretariat. It conducts propaganda at all levels from central to local of the government. Due to the sensitiveness of political task, the leaders and senior staffs of CPTC must be members of CPV.

At the central level, CPTC runs 20 affiliated agencies, including 10 Departments of Political Theory, Propaganda, Press – Publishing, Culture – Arts, Science and Technology – Environment, Education and Training, Vocational Training, Social Affairs, Foreign Affairs and International Cooperation, General Affairs, Organization and Personnel; Research Institute of Public Opinion; The Information Center for the Propaganda; A Center for Scientific Research, Professional and Documentary; The Journal of Propaganda. It maintains 2 Standing offices in Ho Chi Minh and Da Nang City; and also manages Office; Electronic Newspaper of the Communist Party of Vietnam; The Council of Central Theory of Literature and Art; and The Journal of Foreign Information. At provincial, district and commune levels, 7 boards working under CPTC's guidance are Office, Training of Political Theory, Public Opinion, Culture and Art, Science and Education, History of Party and Information Center of Propaganda Task.

In addition, Ministry of Information and Communications as well as Ministry of Culture, Sport and Tourism are also responsible for propaganda in accordance with the guidance of

CPTC, which ensured the guidelines of party reflected in most of the sectors, especially films, arts, sports, literature or media. Therefore, the propaganda activities are clearly comprehensive although there are overlaps of missions among these organs.

4.2 Public mind's control through propaganda system

Press in Vietnam, including all types of media such as print press, broadcast media, visual media and electronic magazine, have been put under censorship to manage public opinion from the outset. The CPTC did not directly participate in censoring, however, their officials meet the editors of more than 100 newspapers every Tuesday, to hear their report, warn them by pointing out their mistakes in every sentence that was not suitable with party's guidance and command upcoming tasks. In that way, state censorship turned into self-

censorship, which meant that each magazine of communication agency then had to self-censor their news before publishing (Bass, 2017; Mansour, 2016).

Vietnam's authorities owned all press and these publications' self-censorship was required if they did not want their publishing house to be closed (Cain, 2014). In 1989, Vietnam passed laws on the press, regulated the role of media as "the mouth piece of the Party, of the State and social organizations". Ministry of Culture and Information, which changed into Ministry of Information and Communications in amended law in 2016, is the control agency of press ("Vietnam Law on Press," 1989). Since 1999, the amended law included the mission of media, which was also to protect the guidelines and policies of the party ("Amended Law on Media," 1999).

Under the strict censorship and the control of CPTC, internal newspapers and publications were only able to report the topics that CPTC allowed. The People's Daily and Communist Review, which party cells were forced to buy in accordance with the Directive 11 in 1996, was the pioneer newspaper in implementing party's propaganda guidance ("Chỉ thị 11 về mua và đọc báo, tạp chí của Đảng," 1996). Criticizing party was totally banned and only done by independent journalists, who were not legally recognized as a formal journalist by state.

While avoiding reporting bad news in Vietnam, such as corruption, poverty and environmental disasters, most press in Vietnamese strongly praised the CPV, especially its role in anti-French resistance, reunification in 1975 and its subsequent economic achievements, which helped to legitimize the Party. In addition, to regimenting public opinion and encouraging their positive thinking on socialism, the press also focused on bad news in capitalist countries, such as the September 11 attacks in America, and good news in communist countries, especially China’s economic development. This kind of news would be simultaneously posted by multiple press agencies to create a wave of awareness among the people.

In summary, CPV was easy to control the public mind through owning and censoring all kind of the media. Preventing people from accessing the different information sources helped CPV to control public opinion and propaganda to strengthen its legitimacy.

4.3 The flexible application in different stages

4.3.1 Rebuild legitimacy of a one-party state post1986

Prior to 1986, Vietnam fell into an economic crisis because of the failure of its centrally planned economy, which broke the public trust on the leading role of CPV. To save Vietnam’s economy and the CPV’s survival, an economic reform, namely “Doi Moi”, adopting a market economy, was carried out.

Opening country to foreign investment resulted in the proliferation of non-governmental organizations (NGOs), which risked to the dominance of CPV. Therefore, CPV started to deal with NGOs by limiting the sectors that NGOs could reach. Yet NGOs influence on Vietnam’s domestic politics was still not allowed while their activities were put under government supervision.

The main task of the propaganda during this period was to gain public trust on CPV by spreading the concept of “socialist-oriented market economy”, argued as an active integration of the party and state to the world but still consistently with the ideology of

socialism as what the party and people chose. Meanwhile, Ho Chi Minh thought started to be mentioned by propaganda agencies, confirming that this party’s adaption derived from the word of Ho Chi Minh on innovation.

4.3.2 Raising nationalism from 1991-1997

4.3.2.1 Ho Chi Minh Thought on great national unity

Ho Chi Minh thought was simultaneously spread and adopted to become a guideline ideology, along with Marxism and Leninism, that the party and state would lean on to manage the country. The concept of Ho Chi Minh thought on “great national unity” was applied to attract the masses, who entertained special love on Ho Chi Minh because of his achievements in gaining national independence. A campaign of “learn and follow the moral

example of Ho Chi Minh” on great national unity was triggered and strengthen nationalism in Vietnam.

4.3.2.2 Preventing “Peaceful Evolution” from breaking the peace

China Tiananmen Square massacre experience in 1989 served as a warning to the CPV’s dominant player, forcing it to strengthen its propaganda work. In 1991, CPV formally defined the “peaceful evolution” as the Western plot to overthrow socialism without violent attacks. To warn its citizens from being tempted by hostile forces in this peaceful evolution, many propaganda campaigns were activated claiming that the United State, who lost the war in 1975 in Vietnam, was at the heart of political opposition in Vietnam, trying to break the peace that Vietnamese paid with blood. Sentiments of anti-political pluralism, anti-democracy, anti-human rights were also created in this period to apply against the dissidents, called as “reactionaries”, who advocated for human rights and democracy.

4.3.3. Tightening media from 1997-2004

Since 1997, the Internet has been connected in Vietnam. Besides censorship on press, the CPV also has implemented policies to censor the Internet. Electronic party newspapers were early active to access to “netizens” while anti-state websites were blocked by firewalls. By using the selective filtering, “harmful news” was detected and eliminated,

ensuring the stable public opinion online. Meanwhile, state printed newspapers were promoted and invested to open many branched abroad while private ownership of press was still not allowed. In 1996, the Directive 11 regulated that each party cell had to buy and read The People's Daily every day.

5. Conclusion

In conclusion, the author has explored how CPV has used propaganda as an “indirect way” to repress the political opposition. These methods were not directly to sentence or arrest dissidents but to build up the strength inside the citizens, making them self-denied of the external infiltration from political oppositions.

There was a propaganda system to help CPV to legitimize themselves internally, which challenged the access of political oppositions. This system worked under the guideline of Committee Propaganda and Training Commission, in accordance with the command of Political Bureau, the highest body of CPV.

The country's press was put under censorship to ensure the party's control of public opinion. State-owned media allowed party to conduct propaganda easily and systematically while preventing people from access harmful information through selective infiltering.

In each certain period, CPV would give priority to propagate different works. In the period of 1986 and 1991, propaganda concentrated on promoting a new socialist-oriented market economy to collect public trust on CPV, which declined in the previous period because of the failed economy. In the next 6 years, peaceful evolution and Ho Chi Minh thought were two main concepts to propagate nationalism. From 1997 until 2004, censorship on the Internet was applied to monitor good news and limit the access of Vietnamese's netizens towards harmful sources.

Bibliography

- Amended Law on Media, (1999).
- Vietnam Law on Press, (1989).
- Bass, T. A. (2017). *Censorship in Vietnam: Brave New World*: University of Massachusetts Press.
- Bermeo, N. G. (2003). *Ordinary people in extraordinary times: the citizenry and the breakdown of democracy*: Princeton University Press.
- Brooker, P. (2013). *Non-democratic regimes*: Macmillan International Higher Education.
- Cain, G. (2014). Kill one to warn one hundred: The politics of press censorship in Vietnam. *The International Journal of Press/Politics*, 19(1), 85-107.
- Caraccilo, D. J. (2011). *Beyond Guns and Steel: A War Termination Strategy*: ABC-CLIO.
- Chandler, R. W. (1981). *War of ideas: The US propaganda campaign in Vietnam*: Westview Press.
- Chen, X. (2017). Origins of informal coercion in China. *Politics & Society*, 45(1), 67-89.
- Chỉ thị 11 về mua và đọc báo, tp chí của Đảng, (1996).
- Geddes, B. (1999). What do we know about democratization after twenty years? *Annual review of political science*, 2(1), 115-144.

- Guo, Y. (2004). *Cultural nationalism in contemporary China*: Routledge.
- Hennessy, M. A. (1997). *Strategy in Vietnam: The Marines and Revolutionary Warfare in I Corps, 1965-1972*: Greenwood Publishing Group.
- Jackall, R. (1995). *Propaganda*: NYU Press.
- Johnson, L. B. (1968). Address to the Nation Upon Announcing His Decision To Halt the Bombing of North Vietnam. *Public Papers of the Presidents of the United States: Lyndon B. Johnson, 1968-69. Volume II*, 1099-1103.
- Jowett, G. S., & O'donnell, V. (2014). *Propaganda & persuasion*: Sage.
- Kahin, G. M., & Lewis, J. W. (1969). *The United States in Vietnam*.
- Kailitz, S. (2007). Juan J. Linz, Totalitarian and Authoritarian Regimes, in: Fred I. Greenstein/Nelson W. Polsby (Hrsg.), *Handbook of Political Science*, Bd. 3: Macropolitical Theory, Reading ua 1975, S. 175–411 *Schlüsselwerke der Politikwissenschaft* (pp. 241-245): Springer.
- Kalathil, S., & Boas, T. C. (2001). The Internet and state control in authoritarian regimes: China, Cuba and the counterrevolution. *First Monday*, 6(8).
- Lesmana, T. Alumni Perspectivesf FREEDOM OF THE PRESS IN VIETNAM AND LAOS FRED SIEBERT'S COMMUNIST MEDIA THEORY RE-EXAMINED. *Daniel K. Inouye Asia-Pacific Center for Security Studies*, 11.
- Linz, J. J. (1964). *An authoritarian regime: Spain*: Tidnings och Tryckeri Aktiebolag.
- Linz, J. J. (2000). *Totalitarian and authoritarian regimes*. Boulder, CO: Lynne Rienner Publishers.
- Mansour, S. (2016). STIFLING THE PUBLIC SPHERE: MEDIA AND CIVIL SOCIETY IN EGYPT. *Media and Civil Society in Egypt, Russia, and Vietnam*, 11.
- Miller, K. (2015). From humanitarian to economic: the changing face of vietnamese migration. *Migration Information Source*.
- Phụng, T. G. (2017). Ai vi phạm Hiệp định Genève (20-7-1954)? [Who violated the Geneva Accords (20-07-1954)?]. *Dân Làm Báo*.
- Pye, L. W. (1990). Political science and the crisis of authoritarianism. *American Political Science Review*, 84(1), 3-19.
- Razak, A. (1985). *Press laws and systems in ASEAN states*: Permanent Secretariat of the Confederation of ASEAN Journalists.

- Siebert, F., Peterson, T. B., Peterson, T., & Schramm, W. (1956). *Four theories of the press: The authoritarian, libertarian, social responsibility, and Soviet communist concepts of what the press should be and do*: University of Illinois press.
- Stier, S. (2015). Democracy, autocracy and the news: the impact of regime type on media freedom. *Democratization*, 22(7), 1273-1295.
- Webb, E. (2011). Totalitarianism and Authoritarianism. *21st Century Political Science: A Reference Book*. Los Angeles: Sage, 249-257.
- Zhao, D. (2003). Nationalism and Authoritarianism: student-government conflicts during the 1999 Beijing student protests. *Asian Perspective*, 5-34.

Cambodia's Foreign Policy and China's Soft Power during Khmer Rouge Era from 1975 to 1979

Un Samnang

samnang_un@yahoo.com

Abstract

After holding power by the revolutionary force in April 1975, Pol Pot, Khmer Rouge leader, applied the foreign policy of self-reliance, self-mastery and independence that limited the options of seeking foreign assistance and interaction with other countries due to the fear of foreign influence and interference. During his rule, Pol Pot even broke up the revolutionary ties with his former ally, Vietnam, but closely tilted to only China as the latter fully supported his regime through foreign aid and technical assistance. Thus, the study aims at exploring the influence of China's foreign aid on Khmer Rouge's foreign policy formation and implementation and the extent it contributed to Cambodia-Vietnam hostility during his reign of terror from 1975 to 1979. To achieve this objective, the study will employ the retrospective and exploratory research design with mixed research methods, including content and historical analysis, archive research, retrospect perspectives and interview with four

Cambodian specialists. Using the neoclassical realism theory for its theoretical framework, the study will focus chiefly on Pol Pot’s perception towards China and on identifying and analysing the reasons behind the fragmentation of Cambodia-Vietnam relations.

The study posits that China is a significant dynamism inspiring Pol Pot’s revolutionary struggle, leadership, and foreign policy decision. In the attainment of national interests for absolute independence and self-reliance through the limited options of his static foreign policy, Pol Pot cannot survive without China’s strong support (military, economic and technical assistance). The more strictly he complies with his fixed policy, the more likely his regime heavily relies on China. Pol Pot’s leadership precisely divulges the regime failure as a result of the stagnant foreign policy implementation and prodigious dependence on only one external actor who is reluctant to offer more help when he refuses to obey its advice.

1. Introduction

Cambodia, after obtaining independence from France in 1953, continued to go through several changes of regimes and government collapses because of internal and external conflicts as well as domestic power competition among different political factions. This led to changes in Cambodia's political order and foreign relations under the different leaderships of various regimes (Path et al., 2017, pp. 7–8).

As a small state, the kingdom’s post-independence foreign policies often oscillate between non-alignment and sturdy alliance due to her indigent economic system, political insecurity and foreign powers (Path et., 2017). In this regard, Cambodia is seen depending on foreign assistance to cope with turbulent circumstance and secure survival. Likewise, some donor countries might utilize this help as a means to extract benefits from and inject influence over recipient countries (Roberts, Hite, & Chorev, 2014, p. 403). The recent study has discovered that Cambodia is one of the 16 most vulnerable countries to China’s ‘*debt-book diplomacy*’ from which the latter can attain strategic interests or diplomatic dominance (Parker & Chefitz, 2018; Westcott, 2018).

Given the connection between the provision of foreign aid and aid influence over recipient countries, this paper wishes to examine the influence of China on Cambodia during the Khmer Rouge era from 1975 to 1979. Specifically, it intends to explore the extent China

impacting Cambodia’s foreign policy formation and implementation and whether or not its aid pushed Cambodia into war provocation against Vietnam.

2. Problem Statement

While leading Cambodia from 1975 to 1979, Khmer Rouge received tremendous aid from China and at the same time reinforced the foreign policies of absolute independence, self-reliance and non-interference (Ciorciari, 2014b, pp. 218; 223–224; Mertha, 2014). To realize these objectives, Khmer Rouge eliminated all forms of factors threatening its internal leadership and regime though it had to endure tough consequences such as a war against Vietnam, genocide, and even the regime collapse (Hill & Menon, 2014, p. 1650). Thus, the problem is whether or not China influenced Khmer Rouge's foreign policy decision and implementation.

a. Research Objectives

The ultimate purposes of this paper are the following:

- To explore the influence of China on Cambodia’s foreign policy during the Khmer Rouge epoch;
- To dig out reasons behind Khmer Rouge’s foreign policy decisions and international relations, especially its decisions to hugely rely on China and to break up the relationship with Vietnam

b. Research Questions

1. To what extent did China influence Khmer Rouge’s foreign policy and relations?
and
2. To what extent did its foreign aid contribute to Cambodia-Vietnam war during the Khmer Rouge time?

The paper uses the term ‘**heavy reliance**’ to refer to the Khmer Rouge leader’s dependence on China. It literally means being unable to survive by itself without the help from the later. The help covers not only the continued economic development assistance but also military supply, political, ideological and technical assistance. Further, it also reflects the situation in which Khmer Rouge leader depends on only China for security and political protection from external threats seemingly imposed by the international

environment. Based on these key elements, the study uses the ‘**heavy reliance**’ term to elaborate the high degree of dependency Cambodia relied on China during the Khmer Rouge era.

3. Literature Review

There are tremendous literature and academic studies/research in the field of Cambodian genocide under the Khmer Rouge regime, but the studies on influence of Chinese aid on Cambodia-Sino relationship and Khmer Rouge’ foreign policy are quite limited, especially the discussion of Chinese aid on Khmer Rouge’s foreign policy implementation at the sphere of international relations and of its leader’s perception.

Through the literature review, the paper deeply discusses two aspects: state alliance behaviour which focuses on Cambodia’s alliance strategy towards China and Vietnam as well as China’s influence on the Khmer Rouge.

After thoroughly reviewing some books, publications and journal articles on various behaviours of state alliance by some IR theorists and scholars such as Wagner (1994), Chen and Yang, (2013), Stephen Walt (1987), Schweller (1994), Deny Roy (2005), Ciorciari (2014a) and Thearith Leng (2017), the paper differentiates four types of state alliance patterns that explain reasons behind states’ perception toward one another. They embrace balancing, hedging, bandwagoning and patron-client relations.

The paper notices that some of the most crucial reasons behind of these alliance patterns are reaping economic benefits, mitigating external threats and securing long-term survival, attaining national and political strategic interests and extending influence and material power where possible. For the case of Cambodia, it views that even though patron-client relation, bandwagoning and soft-balancing might help explain some elements of Khmer Rouge leader’s alliance behaviours towards China and Vietnam, they are not well enough to explain the unique characteristics of Khmer Rouge leadership, perception and its foreign policy formation and implementation. For China’s influence on Khmer Rouge, the paper has found out two different points of argument as the following:

3.1 Argument of huge influence on Khmer Rouge

Some scholars generally agree that China did have influence over Khmer Rouge because of the presence of its huge economic aid, military supply, advisers and technicians. Gough contends that Khmer Rouge's leadership was somehow influenced by Maoist ideas and practices given that thousands of Chinese advisers and technicians were attached to the regime leadership (1986, p. 16).

Moreover, after the collapse of the Khmer Rouge, there was a tribunal created in 1979 by a newly Vietnamese-installed Cambodian government. It accused China of backing Khmer Rouge in carrying out a ferocious genocidal policy against Cambodian people. Its judgment claimed that *'China massively increased their military aid and set up a thick network of advisors to supervise all the activities of the DK leadership which committed genocide and war against Vietnam'* (Ciorciari, 2014b, p. 216). Further, The current Cambodian Prime Minister Hun Sen used to accuse China of *'root of everything evil'* during the Khmer Rouge regime (ibid, p.7).

3.2 Argument of no huge influence on Khmer Rouge

However, the recent studies have found out that China was unlikely to exert huge influence over Khmer Rouge leadership. Ciorciari (2014b) contends that the influence of China on Khmer Rouge was frail. China, in spite of its excessive aid and technical assistance, could not exert the huge influence on the Khmer Rouge regime (p.215-118). Similarly, Andrew Mertha has also found out that China was *'largely unable to influence Cambodia policy decisions'* in spite of lending crucial support of foreign aid and technical assistance (Mertha, 2014).

To sum up, the Chinese influence on the Khmer Rouge leadership is still the unfinished discussion. The findings of the said literature are also contentious. Some assert that China is likely the main actor having the huge influence over Khmer Rouge whereas the others rebuff the claim, denying any great influence.

Having consolidated and evaluated the literature, the paper discovers the lack of leadership perception and characteristic in explaining state behaviour, its foreign policy decision and outcomes. Seeing these gaps, the paper intends to shed more light on the

influence of China on Khmer Rouge's foreign policy decision and implementation through taking into serious consideration of the external environment, leader perceptions and domestic factors.

To this end, the paper will make use of neoclassical realism theory to explain and analyse the determinants affecting foreign policy options and the outcomes. The following research methodology section will elaborate on the reasons for choosing this theory as a theoretical framework of analysis.

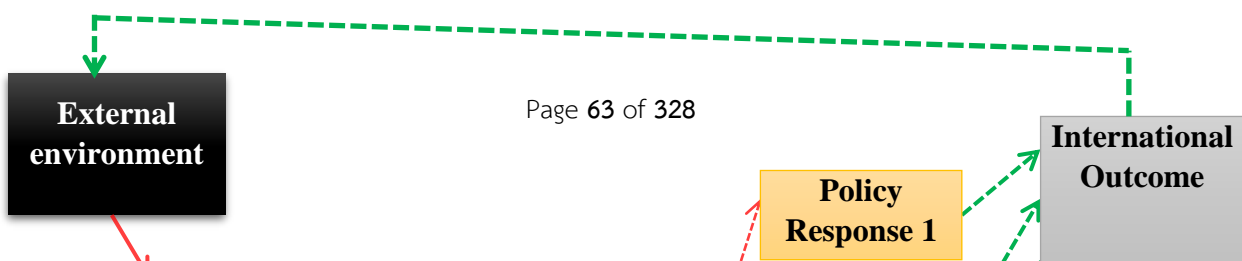
4. Methodology

The paper will follow a qualitative research method. In this regard, the retrospective and exploratory research design will be employed to explore the causes and effects of the main events occurring during the Khmer Rouge regime.

The collected data includes primary and secondary sources. The primary sources such as meeting minutes, speeches, reports and other official documents of Khmer Rouge's government are collected from Cambodia. The paper also conducts a comprehensive interview with four Cambodian scholars specialized in Khmer Rouge. Meanwhile, the secondary sources are collected from the reliable online databases such as SAGE, JSTOR and ISEAS, especially from Thammasat University's library.

The influence of China and the extent its aid contributed to Cambodia-Vietnam hostility will be examined through the lens of neo-classical realism theory. This theory pays core focus on three important aspects: external environment, leader's perception and domestic factors of individual state in shaping the direction of foreign policy (Rose, 1998). Similarly, Chandra and Ripsman, Taliaferro, & Lobell argue that this theory incorporates various intervening variables into explaining the state behaviour and foreign policy options. They embrace leader perception, which is the most important intervening variable, domestic politics and state structure (Chandra, 2017; Ripsman, Taliaferro, & Lobell, 2016, p. 58).

Figure 1: Theoretical framework



Source: The framework based on the neo-classical realism theory by Gideon Rose (1998) and (Ripsman, Taliaferro, & Lobell, 2016, p. 59)

Based on this framework, the paper will analyse two case studies to obtain more satisfactory explanation about the influence of China on the Khmer Rouge and the reasons behind Cambodia-Vietnam hostile relationship from 1975 to 1979.

5. Case study I: The Influence of China on Khmer Rouge's Foreign Policy

Within the framework of the neoclassical realism theory as a base for this case study analysis, the paper chiefly centres on three aspects such as external environment, leader's perception and domestic intervening factors in shaping Khmer Rouge's foreign policy decision and implementation.

The paper contends that China is a significant factor influencing Pol Pot's foreign policy decision and implementation. To obtain the national interest of absolute independence and self-reliance, as well as to implement his ultra-drastic changes in domestic policies, Pol Pot cannot survive without China's strong support. Thus, he formed the foreign policies that likely to obtain full support from China, and those policies had to be consistent with what China wanted otherwise his regime would end up losing latter's strong support.

5.1 Analysis of the external environment (friends and foes)

The analysis of external environment under Pol Pot's perception embraces the view of Pol Pot towards global and regional powers. In this regard, the study perceives the U.S and USSR as the global powers, China as a regional power in the Indochina region and Vietnam as a mounting security threat to Pol Pot's regime. To this end, it will examine Pol Pot's perception towards them and how his perception shaped Khmer Rouge's foreign policy decision and implementation.

Pol Pot's perception on the identification of friend and foe is very important for his foreign policy decision, direction and implementation. First, it can help him set up the policy to deal with his perceived foes and to escape from the latter's' respective threats. Second, it helps shape the direction to tilt to perceived friends for enduring friendship, mutual support and struggle for the attainment of national interest and independence.

With the clear-cut identification between friend and enemy, Pol Pot could make his foreign policy decision accordingly. He was firmly resolute in his already existing cognitive knowledge on enemy and friend. Thus, this firm belief seemingly provides more advantage to the group of his friends but more disadvantages of the opposite side in his foreign relations. Apparently, Pol Pot defined friends as those who shared the same policy of independence, peace, neutrality and non-alignment based on mutual respect and equal footing as stipulated in the Khmer Rouge's constitution. Based on his prerequisite assumption, the U.S, USSR, and Vietnam were in the group of foes, while China and other oppressed countries in the third world were in his list of friends. Pol Pot underlined that

“After liberation on 17 April 1975, the enemies from outside always wanted to take possession of Democratic Kampuchea and subjugate her. These enemies included the U.S imperialists, the USSR international expansionists as well as the Vietnamese and their followers. [...] the USSR and Vietnam have united together to attack our country” (Pol Pot, 1978b).

Further, Pol Pot regarded Vietnam as his ‘*main enemy*’, viewing that the latter continuously tormented his regime (Morris, 1999, p. 99). Meanwhile, there was an estimation of 20,000

Vietnamese troops inside Cambodia (Ciorciari, 2014b, p.218). Many Khmer communists who worked with the Khmer Rouge regime had received extensive political indoctrination and military trainings from Vietnam (CIA Report, 1973). Pol Pot also perceived them as the Vietnamese agents. Thus, the presence of Vietnamese troops plus his accused Vietnamese agent group was absolutely a great threat to Pol Pot’s reign.

Figure 2: List of Khmer Rouge’s alleged enemies

 Lon Nol Officials	 Vietnamese Agents	 CIA Agents	 KGB Agents	 Alleged Enemies
Soon after their victory, the Khmer Rouge eliminated officials and soldiers of the defeated regime	Ethnic Vietnamese and Khmer who were accused of being Vietnamese agents	The Khmer Rouge believed that there were agents from the U.S. hidden in Cambodia	The Khmer Rouge believed that there were agents from Soviet Union hidden in Cambodia	The Khmer Rouge constituted some daily actions as crimes. eg. eating food individually

Source: (Bophanna Center, 2017)

Nevertheless, Pol Pot absolutely reviewed China as his great friend. He was distinctly impressed by Chairman Mao Tse-Tung’s leadership and the latter’s whole-heart hospitality extended to him based on equal footing, mutual support and respect. He mentioned that

“Our Chinese friend wholeheartedly supported our political line. [...] Our Chinese friends were united with us in the analysis of class in society, in the determination of class and in the division between friends and foes in Cambodia in the context of the new democratic revolution” (Engelbert & Goscha, 1995, p. 79).

5.2 Analysis of Pol Pot’s perception in leading the country

In his leadership, Pol Pot wished to accomplish his unattainable rapid transformation of war-savaged Cambodia into an ideal communal agrarian utopia, which was better and stronger than China and Vietnam. In this sense, he had a dream of bringing Cambodia back to the glorious Khmer Empire era. He emphasized that Cambodia, after liberation, would

continue to defend the country, carry on the socialist revolution and edify well socialism (Pol Pot, 1978a, pp. 19–21).

The paper argues that in his endeavour to rebuild Cambodia to the past glorious Angkor era, Pol Pot was likely to follow Chinese Chairman Mao Tse-Tung’s concept of self-reliance, people’s war and the significance of human (mass) power. Morris (1999) posited that Pol Pot’s policies were seemingly inspired by two Maoist ideological concepts: ‘*self-reliance and subjective factors of human will and ideology in winning over objective material factors*’ (pp.74-75). Etcheson, the author of the Rise and Fall of Democratic also contended that Chairman Moa’s concepts of stages of revolution and people’s war were embedded into CPK’s declaratory and operational behaviour (1984, p. 22).

Further, Pol Pot seemingly adopted and extended Chinese Chairman Mao Tse-Tung’s ideologies to his own leadership (Chandler, 2018; Etcheson, 1984; Morris, 1999). Former King Norodom Sihanouk also confirmed that Mao’s Cultural Revolution had a special influence on the entire Khmer Rouge leadership (Morris, 1999).

“We believe that we can build up the country quickly... We have only to organize the strategy and tactics to strike in whatever way is necessary. This is the Super Great Leap Forward,” Pol Pot’s four-year plan from 1976 to 1980¹ (Morris, 1999, p.71).

Further, in his letter addressed to the Chinese Communist Party (CPP) dated 06 October 1967, Pol Pot reported that *“Comrades, ... we are preparing the implementation of a people’s war... and will continue to put into effect the revolutionary work according to the line of the people’s war which Chairman Mao Zedong has pointed out in terms of its independence, sovereignty and self-reliance.”*² On June 21, 1975, during the meeting

between Chairman Mao, Pol Pot underscored that *“I have read many books of Chairman Mao since I was young especially about the People’s war. The books of Chairman Mao have guided our whole party”* (Julio, 2000). Moreover, Pol Pot, at the Peking banquet on September 28, 1977, also stressed that *‘Mao Zedong’s thought is the inspiration behind his regime’s policies’*³ (Morris, 1999, p. 70).

5.3 Analysis of domestic factors

Apart from rebuilding the country through his ultra-revolutionary concepts, there were mainly two dominant factors lying in Pol Pot’s regime. These are fragile leadership and extermination of concealed enemies within the country.

After liberation, Pol Pot was not secure about his power as there were still many other Khmer Rouge factions with different affiliation and because of his endless suspicion of enemies attempting to seize his power back. Originally, there were six separate regional factions joining to overthrow Lon Nol regime (Etcheson, 1984; Thayer, 2012). Pol Pot could not unite them into a strong unified army under his leadership. As a consequence, they struggled against one another to exert influence and dominance within the communist

¹ Excerpted report on the leading views of the comrade representing the Party Origination at a Zone Assembly” Tung Padevat, June 1976, in Chandler, Kiernan, and Boua, eds., *Pol Pot Plans the Future*, p. 29, and cited by Morris, 1999, p. 71.

² As quoted in Tim Hieu p.44 and Quan Diem, p.14 cited by Engelbert and Goscha (1995), ‘Falling out of Touch’, pp. 80-81

³ Quoted from NCNA, September 28, 1977, in FBIS-PRC-77-189, September 29, 1977, A19, and cited by Morris, 1999, p. 71.

party. Ta Mok, one of the KR prominent leaders and standing committee members, said that “there was no central leadership of the Khmer Rouge forces.

To secure power and his own security, Pol Pot made a commitment to rooting out all enemies hidden within the party. He ordered the arrest of suspected party members in different zones ranging from the North, Southwest, Northwest and to the East Zone (Thayer, 2012). The arrest was carried out from the top to village levels everywhere including the party organization and government institutions (Etcheson, 1984). Further, Pol Pot continued to target those in the army, cadre, ministries and even his standing committee members (Heder, 1990; Mertha, 2014, pp. 5–9). David Chandler underlined that Pol Pot and his followers exhibited a thirst for power and an unlimited aptitude for distrust. He pointed out that *“believing himself surrounded by enemies, Pol Pot approved the torture and execution of thousand enemies at S-21 prison”* (2018, pp. 3-4). Duch, chief of S21 prison, said: *“Whoever is arrested must be killed”*; consequently, six of the ten standing committee members were executed during his reign (Thayer, 2012).

Pol Pot also implemented the 8-point policy to rule the country and perpetually exterminated his accused enemies. On 20 May 1975 Khmer Rouge convened a five-day extraordinary meeting in Phnom Penh with the participation of thousands of Khmer Rouge cadres from all areas across the country (Bophanna Center, 2017). The meeting was aimed at instructing the Party Centre's eight-point policy¹ to be carried out nationwide. These policies are as follows:

Figure 3: Khmer Rouge’s 8-point policy



¹ According to the interview between Ben Kierman with Sin Song, Phnom Penh, 12 August 1980. Kierman, Ben. *The Pol Pot Regime: Race, Power, and Genocide in Cambodia under the Khmer Rouge, 1975-1979*, 55 as cited by Bophanna Center, 2017.

5. Execute all leaders of the Lon Nol regime
6. Establish high-level cooperatives
7. Expel the entire Vietnamese minority population
8. Dispatch troops to the borders with Vietnam

Source: (Bophanna Center, 2017)

The paper stipulates that the purpose of carrying out these policies were to root out the remaining concealed enemies, to strengthen DK power and to control the whole population. These policies and tough enforcement gave so much disastrous impact on the lives and rights of Cambodian people throughout the whole period. As a consequence, approximately 1.7 million people died of extermination, severe exhaustion, starvation and diseases (Bophanna Center, 2017; Chandler, 2018; Hinton, 1998, pp. 93–94; Kiernan, 2008). While implementing these policies, Pol Pot did need China’s strong support.

Table 1: Estimation of death tolls under Pol Pot, 1975-1979

Social group	1975 pop.	Numbers perished	%
<i>'New Citizens'</i>			
Urban Khmer	2,000,000	500,000	25
Rural Khmer	600,000	150,000	25
Chinese (all urban)	430,000	215,000	50
Vietnamese (urban)	10,000	10,000	100
Lao (rural)	10,000	4,000	40
TOTAL New citizens	3,050,000	879,000	29
<i>'Base Citizens'</i>			
Rural Khmer	4,500,000	675,000	15
Khmer Krom	5,000	2,000	40
Cham (all rural)	250,000	90,000	36
Vietnamese (rural)	10,000	10,000	100
Thai (rural)	20,000	8,000	40
Upland minorities	60,000	9,000	15
TOTAL Base citizens	4,840,000	792,000	16
Cambodia	7,890,000	1,671,000	21

Source: (Kiernan, n.d., p. 84)

5.4 Analysis of Pol Pot’s Foreign Policy and its implications

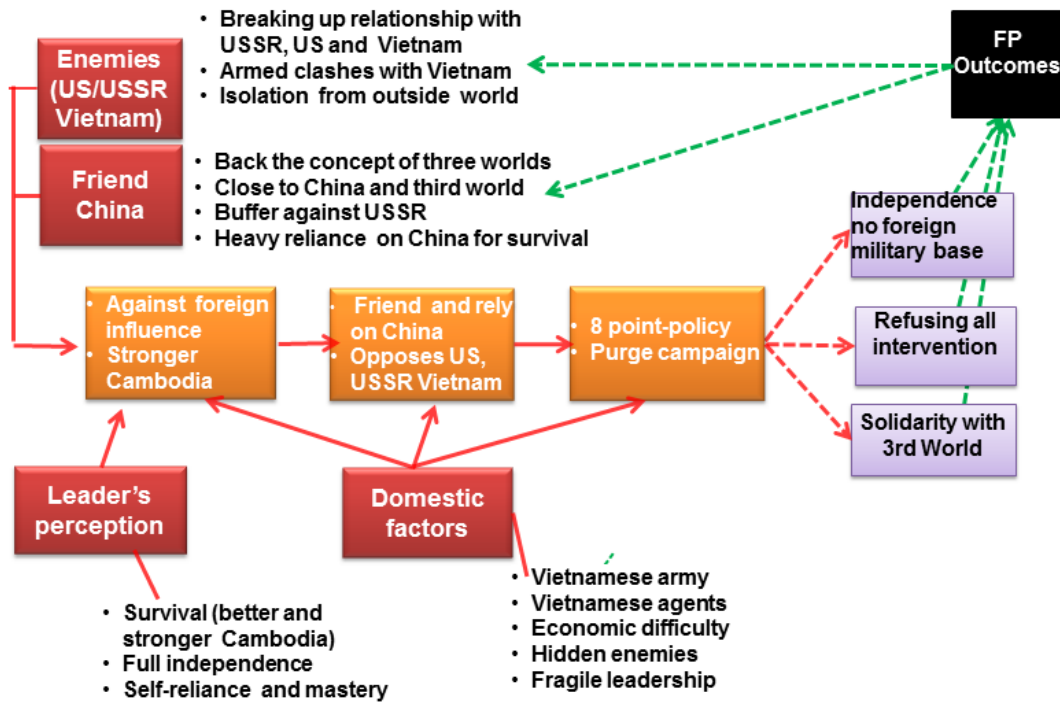
The paper argues that Pol Pot’s foreign policies were hugely influenced by his perceptions in pursuance of national interests and security assurance. To this end, he formed the foreign policies that likely to obtain full support from China. Thus, they needed to be consistent with what China wanted. Consequently, these policies seemingly paved the way for the close alliance with and huge reliance on China.

The highlighted key element of Pol Pot’s foreign policies encompassed adherence of independence, peace, neutrality and non-alignment, no foreign military base, refusal of all means of intervention as well as promotion of solidarity with the Third World countries to oppose imperialism, colonialism and neo-colonialism (DK Constitution, 1975; Pol Pot, 1978a, pp. 19–21). Cambodian scholar Path Kosal points out that “*The thrust of Khmer*

Rouge foreign policy was to secure economic and military assistance from a great and powerful friend China. It was one fuelled by irredentist nationalism and nostalgia of ancient Khmer greatness”.

Getting support from the big power was not an easy task for the fragile and small state like Cambodia during that time. In this regard, his foreign policy needed to be comparable to what China wanted in spite of no coercion imposed. For example, the aforesaid foreign policies explicitly limited the options for Pol Pot to seek external supports and assistance from the outside world but paving his way for closely tilting to the third world group, which had been initially promoted by China. The objectives of these policies were pretty similar to what China had proposed and agreed with the U.S in its join Sino-US communiqué made in Shanghai in 1972.

Figure 4: The Implications of Pol Pot’s foreign policies



Source: Author's own compilation, 2018

This figure demonstrates that the more Pol Pot strictly adhered to his policies, the more rigorously he pushed Cambodia to come closer only to China.

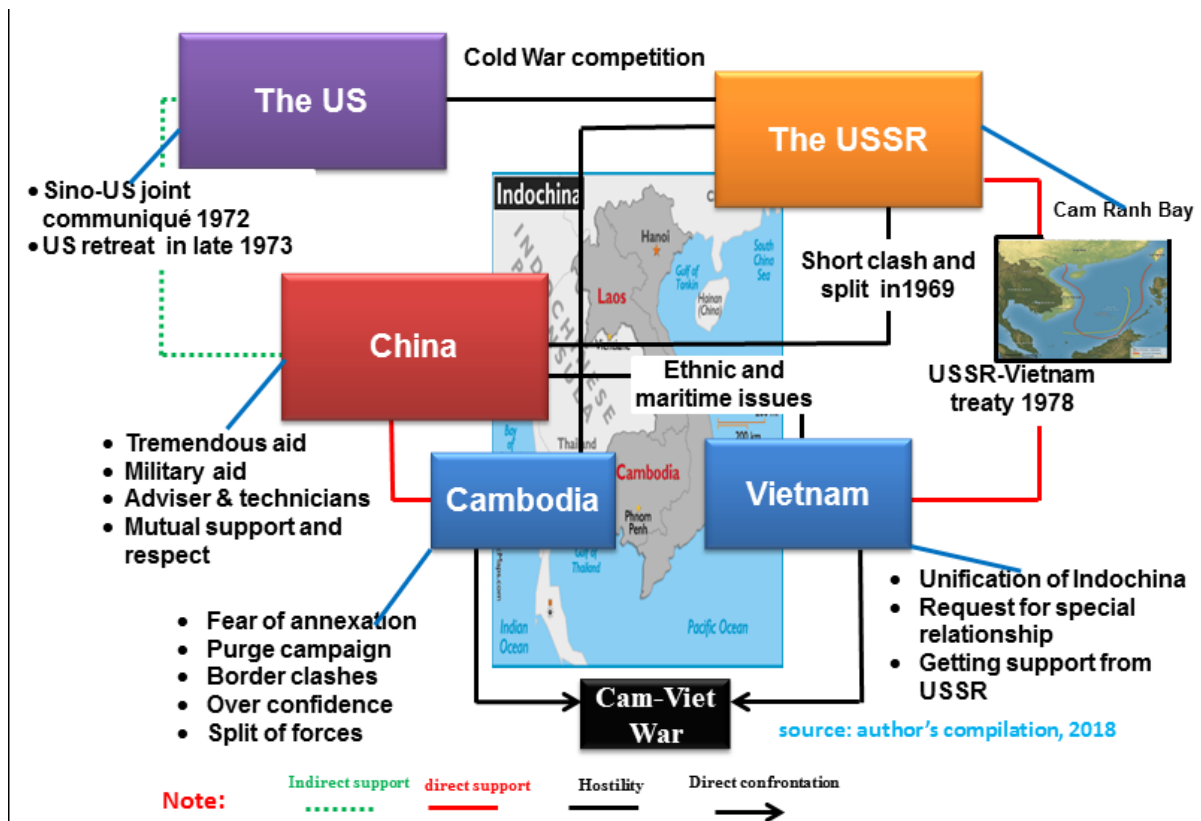
6. Case study II: The Causes of Cambodia-Vietnam War during Pol Pot's Rule

This case study intends to examine two issues, including the factors leading to Khmer Rouge-Vietnam provocation and connection between China's aid and Cambodia-Vietnam conflict.

6.1 The causes of Cambodia-Vietnam war

To have an in-depth analysis of Cambodia-Vietnam conflict, the paper would like to portray the whole picture of power competition in Indochina by comprehensively examining three aspects: external environment, Pol Pot's perception and domestic factors as follows:

Figure 4: Causes of Cambodia-Vietnam war during Pol Pot's time



Source: Author's compilation, 2018

The figure above shows the direct and indirect involvement of the US, the USSR and China in the Cambodia-Vietnam war.

6.1.1 External environment

At the international context, Indochina is a basis for three contenders, namely the U.S, the USSR and China, to further exert their respective political and material power into Southeast Asia and Asia-Pacific region (New Statesman, 1979). Therefore, the foreign policy and decisions of the three do have a great impact on the security of the small countries in Indochina.

For example, the split of USSR-Sino relations in 1969 did contribute to the hostile relations between Cambodia and Vietnam since Cambodia both countries received huge supported from these two big communist countries to enhance their internal and external affairs.

Further, the Sino-U.S joint communiqué in 1972 seemingly paved the way for China to play a key role in Indochina after the U.S retreat (U.S-China Joint Communique, 1972). Meanwhile, the USSR-Vietnam treaty in 1978 also permitted both countries to have a stronger position in Indochina and Indo-pacific region as a whole. For instance, the USSR could use the Vietnamese Cam Ranh Bay to strengthen its maritime power and expand influence in the region. Similarly, Vietnam also obtained full support from the former to contain China and deal with border skirmish with Cambodia (Indochina Issue, 1985; Peking Review, 1978; Ting Wai, 1987).

At the regional context, both China and Vietnam wanted to expand its influence in the whole Indochina while these two countries also had direct confrontation with each other over the issues of Chinese ethnic group living in Vietnam and border dispute, especially in the South China Sea (Julio, 2000; Ta Kung Pao, 1975; US Report, 1978).

Compared to China, Vietnam was so small and used to receive a lot of aid from China. Thus, to contain its former patron, Vietnam needed strong support from the USSR as its backer.

China also carried out a rapprochement policy toward the U.S in order to mitigate threat made by the joint effort between Vietnam and the USSR¹. Further, it also needed Pol Pot on its side so that Cambodia could break away from Vietnam and be a buffer against the latter’s influence and expansion in Indochina. Ciorciari (2014b) contended that Cambodia was a crucial hedge against Vietnam (p.221). Meanwhile, the U.S also indirectly supported China in influencing Cambodia to contain both the USSR and Vietnam. U.S Secretary of State Kissinger stressed that *“The Chinese want to use Cambodia to balance off Vietnam.[...] for the geopolitical reasons, the U.S, China and Thailand all supported the independence of Khmer Rouge regime, and the U.S did not discourage China and Thailand to tilt to Cambodia”* (Kieman, 2002, p.487).

6.1.2 Pol Pot’s perception and domestic context

¹ The excerpt from the inward cablegram on Cambodia-China attitude from the Australian Embassy in Peking, file 265/4/5/4 dated 28 April 1975, filed in DC-Cam collection, catalogue No. D70098

Taken into serious account of Pol Pot’s perception toward Cambodia-Vietnam war, the paper postulates that the tension and escalation of Cambodia-Vietnam conflict have resulted from several noteworthy factors such as historical context and sentiment of detestation over ethnic issue, unresolved border dispute and feeling of mistrust toward negotiation, overconfidence and miscalculation of Vietnamese strength as well as the tough implementation of Pol Pot’s policies which caused the split among Khmer Rouge itself (Department of Press and Information Ministry of Foreign Affairs, DK, 1978; Ministry of Propaganda and Information of Democratic Kampuchea, 1978; Pol Pot, 1976; Searching for the Truth, 2001; US Report, 1978).

Further, in its official document called Black Paper, the Khmer Rouge elaborated some facts and information about the Vietnamese attempt and aggression to annex Cambodia as part of its Indochina Federation plan. This official document mentioned the latter's manoeuvres and illusion to annihilate and overthrow the Khmer Rouge Regime through various means including a series of small and large-scale armed attack, and the military coup by its concealed agents inside Cambodia, etc. In short, this Black Paper perceived Vietnam as an aggressor who wanted to incorporate Cambodia into its Indochina Federation ambition (DK Ministry of Foreign Affairs, 1978).

The number of incidents of armed clashes along the borders and in nearby provinces between Cambodia and Vietnam increased worrisomely for the period from 1975 to 1978. The Vietnamese source has shown that the figure soared up sharply from merely 174 times in 1975 to 254 times in 1976, to 1,150 times in 1977, and 4,820 times in 1978¹ Regarding these incidents, Path Kosal postulated that Khmer Rouge deemed it a preventive war to reclaim territory pre-occupied by Vietnam following its unification, while the Vietnamese viewed Cambodian hostility as China’s strategy to undermine Vietnam and exert its control over Indochina (Path et al., 2017, p. 18).

While the Cambodia-Vietnam conflict escalated to a large scale, Pol Pot’s last request for more military aid and intervention from his close ally China was denied. Many scholars contend that China wanted to teach Pol Pot a lesson of not following its advice because China preferred Pol Pot to negotiate with Vietnam. Path Kosal contends that “*the alliance*

¹ The numbers taken from the Vietnamese Ministry of National Defense, 2010, p. 26

served China's broader strategic containment of Vietnam after the Vietnamese unification in 1975. The Khmer Rouge provocation of war with the Vietnamese against China's advice for restraint led to the Vietnamese invasion of Cambodia. The Khmer Rouge was just a pawn in China's chessboard”.

6.2 Examination of involvement of Chinese aid in Cambodia-Vietnam conflict

Through in-depth interviews with four Cambodian scholars who are researchers and specialists in Khmer Rouge history, the review of numerous Khmer Rouge books and based on the primary and secondary data collected, the paper has found no concrete evidence proving that China’s aid contributed to the said conflict. Nonetheless, it does not mean the aid is not significant to this conflict.

The paper discovers that the military aid provided to Pol Pot was aimed at protection not at invasion. China provided tremendous military supplies to Pol Pot in order to keep him in power and get rid of his rivalries as China did not want to lose Cambodia to Vietnam. However, without China’s military supply, Pol Pot could not have any capability to thwart

Vietnam’s alleged aggression. With no Chinese aid, he could not even provoke any tension against its utmost rivalry, let alone wage war.

7. Conclusion

In conclusion, the paper would like to consolidate the findings from the said two cases as the following:

In the first case study, the paper would like to reiterate its argument that China is a significant factor likely to have an influence on Pol Pot’s foreign policy decision and implementation. Pol Pot implemented the very limited options of foreign policies and radical change in domestic policies in pursuance of absolute independence and self-reliance. However, the severe enforcement of these policies caused millions of lives of Cambodian people and the outright divide of KR armed forces. Adhering to these policies made Pol Pot’s regime hardly survive and ended up hugely relying on China for survival.

In the second case study, the paper has found out that the Indochina issue, Cambodia-Vietnam war in particular, involved not only the conflicting countries but also the three great powers who contested one another to inject their respective political and material power into the region. Therefore, the foreign policy and decisions of the three do have a great impact on the security of the small countries in the Indochina and could change the status quo.

Some of the most important events are the split of Sino-Soviet relation in 1969, Sino-U.S. joint communiqué in 1972 and the USSR-Vietnam cooperation treaty in 1978. These events paved the way for the big communist countries to compete with one another for a share of regional influence in the absence of the U.S. At the domestic context through the lens of Pol Pot's perception, the paper uncovers some key factors contributing to this conflict. They embrace the historical context and sentiment of detestation over the ethnic issue, unresolved border dispute and feeling of mistrust toward negotiation as well as Pol Pot's strict policy enforcement.

In the case of the involvement of China's foreign aid in the Cambodia-Vietnam skirmish, the paper would like to conclude that the military aid was only aimed at protection not the invasion. The key motive China provided tremendous military supplies Pol Pot was to secure his leadership so that he could serve China's strategic interests longer. The paper does not find any evidence to prove that China wanted Cambodia to antagonize Vietnam, except its intent to keep Cambodia independent from the latter's influence. Nonetheless, the Chinese military aid is also part of Pol Pot's strength in countervailing his mammoth adversary's aggression. While rejecting China's advice for negotiation, Pol Pot was at risk of losing aid and ended up with regime collapse.

Bibliography

- Bophanna Center. (2017). Learning on Khmer Rouge History. Bophanna Center.
- Chandler, D. P. (2018). *Brother Number One : A Political Biography Of Pol Pot*. Routledge.
<https://doi.org/10.4324/9780429501982>
- Chandra, V. (2017). Neoclassical realist theory of international politics. *Strategic Analysis*, 41(3), 297–299.
- Chen, I. T.-Y., & Yang, A. H. (2013). A harmonized Southeast Asia? Explanatory typologies of ASEAN countries' strategies to the rise of China. *The Pacific Review*, 26(3), 265–288.
- CIA Report. (1973, July 20). Intelligence Memorandum: the Khmer Insurgent Factions and the Influence of Peking, Hanoi, and Moscow Thereon. Retrieved from <https://www.cia.gov/library/readingroom/docs/CIA>
- Ciorciari, J. D. (2014a). A Chinese model for patron–client relations? The Sino-Cambodian partnership.

- Ciorciari, J. D. (2014b). China and the Pol Pot regime. *Cold War History*, 14(2), 215–235.
- Department of Press and Information Ministry of Foreign Affairs, DK. (1978, March 17). Interview with Comrade Pol Pot. Retrieved from DC-CAM collection
- DK Constitution. (1975, 1979). Democratic Kampuchea Constitution. Retrieved July 31, 2018, from http://www.d.dccam.org/Archives/ Documents/DK_Policy/DK_Policy_DK_Constitution.htm
- DK Ministry of Foreign Affairs. (1978, September). Black Paper: Facts and Evidence of the Acts of Aggression and Annexation of Vietnam against Kampuchea. Department of Press and Information of the Ministry of Foreign Affairs.
- Engelbert, T., & Goscha, C. E. (1995). *Falling Out of Touch : a Study on Vietnamese Communist Policy towards an Emerging Cambodian Communist Movement, 1930-1975*. Clayton, Vic. : Centre of Southeast Asian Studies, Monash University.
- Etcheson, C. C. (1984). *The Rise and Demise of Democratic Kampuchea* (1 edition). Boulder, Colo: Westview Press.
- Gough, K. (1986). Roots of the Pol Pot Regime in Kampuchea. *Contemporary Marxism*, (12/13), 14–48.
- Heder, S. R. (1990, August 28). Khmer Rouge opposition to Pol Pot: Pro-Vietnamese or Pro-Chinese. Retrieved from DC-CAM collection, catalogue No. D17520
- Hill, H., & Menon, J. (2014). Cambodia: Rapid Growth in an Open, Post-conflict Economy. *World Economy*, 37(12), 1649–1668.
- Hinton, A. L. (1998). Why Did You Kill?: The Cambodian Genocide and the Dark Side of Face and Honor. *The Journal of Asian Studies*, 57(1), 93.
- Indochina Issue. (1985, December). The Stable War: Cambodia and the Great Powers. *The Center for International Policy, Indochina Project*. Retrieved from DC-CAM collection, catalogue No. D18308
- Julio. (2000). Sihanouk, Pot Pot and China. Retrieved from <http://www.d.dccam.org/Database/Lod/details.php?keyword=D61669&numRecords=100&lang=eng&page=1&idnum=D61669>
- Kiernan, B. (2008). *The Pol Pot regime : race, power, and genocide in Cambodia under the Khmer Rouge, 1975-79*. New Haven, Conn. : Yale Univ. Press, c2008.
- Kiernan, B. (n.d.). The Cambodian Genocide, 1975-1979. Retrieved from <https://www.niod.nl/sites/niod.nl/files/ Cambodian%20genocide.pdf>
- Leng, T. (2017). Small state diplomacy: Cambodia’s foreign policy towards Vietnam.

Pacific Review, 30(3), 328–347.

- Mertha, A. (2014). *Brothers in Arms: Chinese Aid to the Khmer Rouge, 1975–1979*. Ithaca, NY: Cornell University Press.
- Ministry of Propaganda and Information of Democratic Kampuchea. (1978, June 25). Press Communique of the Spokesman of the Ministry of Propaganda and Information of Democratic Kampuchea. Democratic Kampuchea. Retrieved from https://cambodiatokampuchea.files.wordpress.com/2015/08/1978_06_dk-note-on-coup-attempt.pdf
- Morris, S. J. (1999). *Why Vietnam Invaded Cambodia: Political Culture and the Causes of War*. Stanford, California: Stanford University Press.
- New Statesman. (1979, October 26). China Fall Victim to the Strategy of Its New, Powerful Ally. Retrieved from DC-CAM Collection, Catalogue No. D43778
- Parker, S., & Chefitz, G. (2018, May 30). China’s Debtbook Diplomacy: How China is Turning Bad Loans into Strategic Investments. Retrieved July 19, 2018, from <https://thediplomat.com/2018/06/chinas-debtbook-diplomacy-how-china-is-turning-bad-loans-into-strategic-investments/>
- Path, K., Cheunboran, C., Var, V., Kry, S., Terith, C., & Vu Tung, N. (2017). *Cambodia’s Foreign relations in Regional and Global Contexts*. Phnom Penh, Cambodia: Konrad-Adenauer-Stiftung.
- Peking Review. (1978, November 17). Viet Nam-Soviet Treaty Threatens World Peace and Security. *Peking Review*.
- Pol Pot. (1976, July 28). Interview with Pol Pot. Retrieved from DC-CAM collection, catalogue No. D28941
- Pol Pot. (1978a, January 17). The Valiant and Powerful Revolution Army of Kampuchea under the Leadership of the Communist Party of Kampuchea. Retrieved from DC-CAM Collection-catalogue No. D29070
- Pol Pot. (1978b, September). Let US Continue to Firmly Hold Aloft the Banner of the Victory of the Glorious Communist Party of Kampuchea in order to Defend Democratic Kampuchea, Carry on Socialist Revolution and Build up Socialism. Retrieved from DC-CAM collection, catalogue No. D40128
- Ripsman, N. M., Taliaferro, J. W., & Lobell, S. E. (2016). *Neoclassical Realist Theory of International Politics*. Oxford, New York: Oxford University Press.
- Roberts, J. T., Hite, A. B., & Chorev, N. (2014). *The Globalization and Development*

- Reader: Perspectives on Development and Global Change*. John Wiley & Sons.
- Rose, G. (1998). Neoclassical Realism and Theories of Foreign Policy. *World Politics*, 51(1), 144–172. Retrieved from <https://www.jstor.org/stable/25054068>
- Roy, D. (2005). Southeast Asia and China: Balancing or Bandwagoning? *CONTEMPORARY SOUTHEAST ASIA*, (2), 305. Retrieved from <http://ezproxy.library.tu.ac.th/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=edsbl&AN=RN174952988&site=eds-live>
- Schweller, R. L. (1994). Bandwagoning for Profit: Bringing the Revisionist State Back In. *International Security*, 19(1), 72–107.
- Searching for the Truth. (2001, April). Interview with Brother Number One on 12 April 1978. *DC-Cam*, 16. Retrieved from DC-CAM Collection
- Ta Kung Pao. (1975, August 21). China-Cambodia economic agreement signed in Peking. Retrieved from DC-CAM collection, catalogue No. D28816
- Thayer, N. (2012, November 13). Lunching with Mass Murderers: The Khmer Rouge Were Not Communists; They were Cambodians. Retrieved August 20, 2018, from <https://natethayer.wordpress.com/2012/11/12/lunching-with-mass-murderers-the-khmer-rouge-were-not-communists-they-were-cambodians/>
- Ting Wai. (1987). Soviet Global Strategy and the Specific Role of Vietnam. *Indochina Report*. US Report. (1978, October 4). Vietnam-Cambodia Conflict. Retrieved from <https://cambodiatokampuchea.files.wordpress.com/2015/08/1978-us-congress-cambodian-vietnam-conflict.pdf>
- U.S-China Joint Communiqué. (1972, February 27). U.S-China Joint Communiqué in Shanghai. *Peking Review*.
- Wagner, R. H. (1994). Peace, War, and the Balance of Power. *American Political Science Review*, 88(3), 593–607. Retrieved from <https://www.cambridge.org/core/journals/american-political-science-review/article/peace-war-and-the-balance-of-power/27920E27DC26CCCEB722A4D44EB2B1F3>
- Walt, S. M. (1987). *The Origins of Alliances*. Ithaca, NY: Cornell University Press.
- Westcott, B. (2018, May 18). China using “debtbook diplomacy” to spread its strategic aims in Asia Pacific. Retrieved July 19, 2018, from <https://www.cnn.com/2018/05/15/asia/china-us-australia-debt-diplomacy-intl/index.html>

Interviews with four Cambodian scholars specialized in Khmer Rouge

1. Interview with Mr Youk Chang, Executive Director of Documentation Center of Cambodia (DC-Cam)
2. Interview with Dr In Sopha, Lecturer at the University of Cambodia and author of Cambodia in Vietnam War from 1953 to 1979
3. Interview with Mr Nhem Boraden, lecturer at the Royal University of Phnom Penh's Institute of Foreign Languages and the author of Khmer Rouge
4. Interview with Dr Path Kosal, Professor of Political Science, Brooklyn College, University of New York and the co-author of Cambodia's Foreign Relations in Regional and Global Contexts.

Myanmar-China Relations (2003-2011)

Thu Rein Saw Htut Naing

thureinsawhtutnaing.tu.tica@gmail.com

Abstract

Myanmar was under military regime after coup in 1988 until 2011 and the United States led western countries imposed economic sanctions on Myanmar for human rights violation and non-democratization within the country – the toughest period was during 2003 to 2011. The pragmatic approach to China which became rising superpower after its economic reform in 1980s was the right option for Myanmar to counter the US led international pressure. The purpose of this study is to examine how Myanmar benefited from China during the international pressure especially the sanction period. The research question for this study, to be precise, is “How has the relationship with China during 2003 to 2011 benefited Myanmar’s national interest amidst the United States’ pressures and economic sanctions?”. It can be clearly seen that China was rising to become superpower and boost in their economy – finally became the second largest economy in the world after the United States in 2010; with the long standing friendship “Pauk-Phaw” relationship between Myanmar and China and eventually reached the strategic partner in 2011, Myanmar’s pragmatic

approach to China in terms of political as well as economic where all doors are closed from the western world. In order to achieve the findings of this study, the thorough examinations will be made upon all ties between Myanmar and China and the hedging theory, specifically Myanmar's limited-bandwagoning to China bilaterally and through regional fora, has to be carried out. The research methodology will be documentary analysis – study through the works of well-known scholars as well as the primary resources like the leaders' speeches and studying the bilateral engagements such as bilateral agreements. The explanation of theories tested in this study will be helpful to prove the Myanmar's approach to China amidst of US led international pressures. The possible outcomes of this study will probably confirm the hypothesis of economic pragmatism and limited-bandwagoning of Myanmar towards China to achieve certain political and economic benefits while countering the US led international pressures and economic sanctions. In the case of Myanmar-China relations – the economic sanctions on authoritarian states by the western democratic states and survival of regimes through these sanctions – the country played both side with the neighbouring superpower to counter international pressures.

1. Introduction

Myanmar is the country gained independence from the United Kingdom in 1948 after series of nationalist movement since the loss of independence in 1885. With the perspective of nationalism and the xenophobia, the country decided not to close with any superpower states in the world after independence and never joined the Commonwealth of Nations. The foreign policy adopted immediately after the country became independent was and still is "Independent, Active and Non-aligned Foreign Policy" which makes itself in line with "Five principles of peaceful co-existence". Myanmar fell under military regime fourteen years after independence followed by the socialist republic with military dominance until 1988 when the second military coup was happened. That was the start of international pressure led by the United States and the western allies where the deterioration of relations between these countries can trace back to the practice of socialism in Myanmar with "Burmese way to socialism". At that time in 1988, the military government declared that democratisation in Myanmar will be undergone and the economy will be conducted with the market-oriented economy. But the major turning point was happened when the military regime failed to hand over the power to the National League for Democracy (NLD)

party which won a landslide in 1990 general elections which the international community pointed out as the anti-democratization behaviour of military government.

When the time 8888 Uprising was happened in Myanmar, the United States was under the Ronald Reagan Administration (1981 – 1989). After 8888 Uprising, the military coup was happened, and the military was in the power until 2011 when the newly elected democratic government took office. Starting from the event of 8888 Uprising, United States kept putting pressure on Myanmar for the democratic reform. In 1988, as a reaction to the military coup, United States stops all aid to Myanmar. Following Ronald Reagan administration, George H. W. Bush (Bush, Sr.) Administration (1989 – 1993) also boycotted Myanmar's military government and start pushing pressures by economic means. Under Bill Clinton Administration (1993 – 2001), after the speech made by the Secretary of State Madeleine Albright at United States Naval Academy in April 1997 – because of the suppression on democratic forces made by Myanmar government and Myanmar became the world's largest heroin source (U.S. Department of State, 1997), the very first sanctions on Myanmar was imposed, issuing Executive Order 13047 and banned American persons making new investment in Myanmar. The toughest sanctions on Myanmar by the United

States were imposed in July 2003 when the Burmese Freedom and Democracy Act (BFDA) was passed by the United States Congress and signed by the President of the United States. This was happened in the George W. Bush (Bush, Jr.) Administration (2001 – 2009). The follow-up actions, like prohibiting properties of Myanmar government officials and freeze the assets, were taken by the Bush Administration and during Barack Obama Administration (2009 – 2017). The Obama Administration also imposed a ban on Myanmar's jades and rubies in August 2013.

After the May 30 incident was happened in Myanmar, the United States imposed the most serious sanctions ever on Myanmar, by enacting Burma Freedom and Democracy Act (BFDA), banning imports and financial services from Myanmar and freezing assets as well as visa restriction for Myanmar officials. The Bush Administration from 2001 to 2009 was the significant period for sanctions against Myanmar. Myanmar's government outlined a roadmap for its implementation of democratic government in 2003 and the first elected government was sworn-in in 2011. Since democratisation in 2011, the United States and

international community follow the development and decided to lift sanctions in 2016 – five years after the democratic reform in Myanmar. (Please see Table I for the detail list of United States' sanctions on Myanmar.) The sanction period from 2003 to 2011 will be examined in this research and how it affects the relations between Myanmar and the United States as well as Myanmar and China.

During the sanction period, Myanmar approached China to be their strong backing to counter the western pressure. China also is keeping close relationships with its neighbouring countries, especially within the region, South East Asia and East Asia as backyards of China (French et al, 2017).

Myanmar faced several pressures from the international arena and to counter these pressures, it is clearly seen that Myanmar needs some supportive power like China while Myanmar hands are tied. This is because, politically, China is a regional power which yields plenty of influence in the international forum, as well as economically a third largest economy prior to 2010.

Having said that, the researcher would like to explore the dynamic of Myanmar-China and Myanmar-US relations during international pressure in terms of economic sanctions during 2003-2011 specially to identify the factors of Myanmar's hedge toward China to counter the United States' pressure.

2. Theoretical framework and Methodology

In terms of theoretical framework, in international relations theories, hedging is different from the full-scale balancing and bandwagoning strategy and stands in the neutrality point while maintaining the balance of risk contingency and returns-maximizing options in between the variation of degrees of power rejection and power acceptance (Kuik, 2016). Hedging is the term primarily used in economics and later adopted in international relations theories. The literal meaning of hedging is to reduce the risk for getting more advantage. In that sense, the state becomes hedge when they are dealing with more powerful counterparts while maintain their mutual benefits. Using this hedging theory, Myanmar, the small and weak state, hedges towards China to counter the United States' pressure where there is no friend in international community, and it is a must for Myanmar. Besides, it can

be seen that almost all countries in the Southeast Asia region do the same hedging behaviours as part of their foreign policies.

Kuik (2016) explore the hedging behaviours of small states in Southeast Asia and how they play both side with superpower states. Interestingly, most of Southeast Asia state never align with any of major alliance in the world and are likely to work with any countries big or small to gain maximum benefit for their countries. Myanmar was one of the leading countries established Non-Aligned Movement in 1950s after its independence in 1948. Soon after independence, Myanmar realised that it is important for the country not to align with any world order and to work as patron-client relations with dominant powers. This was the right decision to maintain the political independence and acquire a good relationship with every country in the international community. Even though the country changed many political systems throughout its history since the independence from Britain, Myanmar steadfastly holds the same foreign policy and avoids bandwagoning strategy. Myanmar was never convinced by the balancing strategy either as the country’s leaders did not trust the other country will stand with them to fight with other balancing power.

Table I: Balancing, Hedging and Bandwagoning Strategy

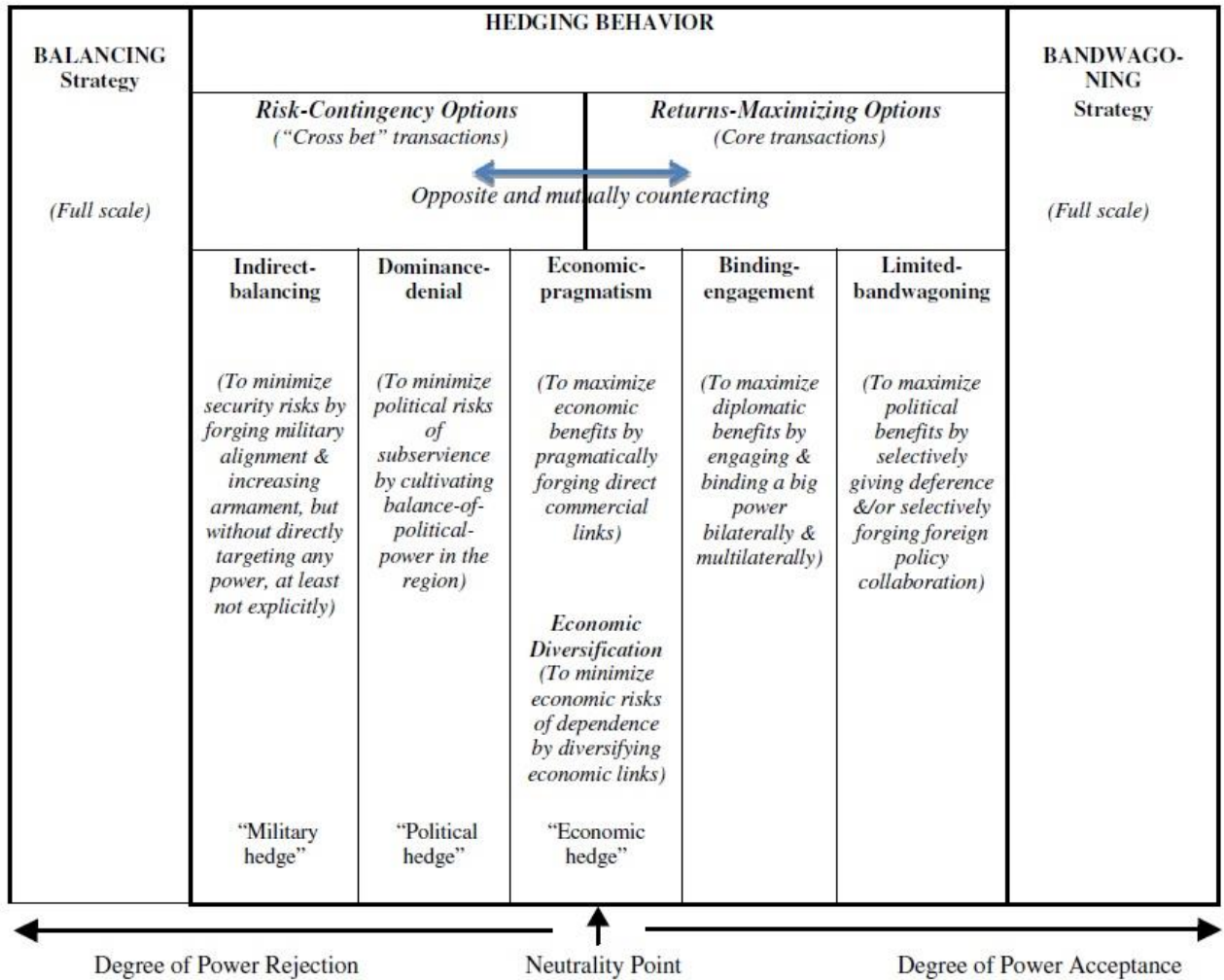


Figure 1. Power rejection/acceptance spectrum.

Source: Kuik (2016), p.502.

According to the “Table” (asserted from Kuik, 2016, p.502), the country normally hedge to avoid practicing the full scale balancing or bandwagoning strategy with superpower states and to maximize benefits for their countries as well as minimize the risks to their countries by the superpowers. There may be two options namely, risk-contingency options and returns-maximizing options. The hedging behaviour of the weak states play between these two options not to reach the complete power rejection in the case of balancing with one superpower by another superpower or acceptance of power which falls under the control of superpower state. In order to achieve this situation, weak states may deny dominance from superpower as well as trying to engage with them. This has to say that in terms of three way of hedging, firstly, economic hedge; second, political hedge and; lastly military

hedge; Myanmar plays mostly in terms of economic and political hedge with China and avoid contact with the US not to enter the game between the dominating US and the rising China.

According to Kuik (2016), in detailed analysis, there can be seen five variations of hedging behaviour in balancing, hedging and bandwagoning strategy, without reaching the full-scale Balancing or Bandwagoning Strategy. When these theories incorporate into the study of Myanmar-China relations during the period 2003-2011, there was 1) Indirect-balancing which is to minimize security risks by forging military alignment and increasing armament without directly targeting any power, at least explicitly. This can also be considered as military hedge; 2) The second one is Dominance-denial, in that case, it is to minimize political risks of subservience by cultivating balance-of-political-power in the region which is known as Political hedge; 3) The third one and most likely one of the theories that match to the situation between Myanmar-China relations (2003-2011) is Economic-pragmatism. In this theory, the country tries to maximize economic benefits by pragmatically forging direct commercial links – which is similar to Myanmar’s situation after 1988 military coup. There is also another theory called Economic-Diversification which is to minimize economic risks of dependence by diversifying economic links. These theories are sort of Economic Hedge which is the middle way or Neutrality Point from the degree of power rejection and power acceptance; 4) Another theory is Binding-engagement which is to maximize diplomatic benefits by engaging & binding a big power bilaterally & multilaterally; 5) The final theory to be tested is Limited-bandwagoning which is to maximize political benefits by selectively giving deference and/or selectively forging foreign policy collaboration.

In the case of Economic Pragmatism, according to Kudo (2008), Myanmar’s economy was unable to access the markets in many developed countries, especially to Europe and the United States where the economic sanctions started in 2003. Before 2003, Myanmar exported its products to those markets and also imported machinery and other products to Myanmar. But, after the economic sanctions, Myanmar’s access to Europe and US markets are totally shut down and there were no imported products from these countries. It led Myanmar’s only accessible markets are only within the region and the larger market is China. Myanmar’s top trading partners are Thailand, Singapore and China where China

and Myanmar's trading behaviour is only asymmetric which Chinese imports amounted almost 30 to 40 percent every year while Myanmar's export amount only one-digit percentage. Nonetheless, China's market is always open for Myanmar or any country as China's policy is just to do trade and non-interference of domestic politics of other country which makes Myanmar to comfortable in dealing with China not only in economic aspects but also in political nature.

Myanmar, during 2003 to 2011 while suffering the United States' pressure for democratization, drew closer to China, especially in terms of politics in international forum. China, in this case People's Republic of China (PRC) (Mainland China) was admitted to the United Nations in 1971 after the original member Republic of China (ROC) (Taiwan) lost its seat and representation at the United Nations. China is one of five permanent members of the United Nations Security Council (UNSC) those who have the power to use veto in any decision made by the UNSC. China is the least veto using country in the UNSC while they used 11 times (10 times as PRC). But one of these is for rejection of draft resolution to take action on Myanmar's situation in 2007. This made crystal clear that China's obvious support for Myanmar's military government from international pressure. Besides, Myanmar's long-standing foreign policy is based on the five principles of peaceful coexistence which is adopted together with China in 1950s. From this point of view, it can be witnessed that Myanmar's Binding-engagement and Limited-bandwagoning to China for political benefits, especially to counter the international pressures led by the United States during 2003 to 2011.

To meet the desire of analysing the Myanmar's approach to China from 2003 to 2011, it comes out as the research question as follows: How has the relationship with China during 2003 to 2011 benefited Myanmar's national interest amidst the United States' pressures and economic sanctions? In order to answer the research question, it is intended to do documentary research. The documentary analysis is one of the qualitative research forms and it is useful when the researcher is trying to interpret the documents to get the real idea for the topic. According to O'Leary (2014), there are three main categories of documents to be examined, namely, public records, personal documents and physical evidence. Among these, public record documents like policy statements and government

memorandum will be reviewed in this research to get the proper intention of the United States' pressure, especially the economic sanctions, Myanmar's economy and Myanmar's hedging towards China.

The author did the literature review in a manner with utmost ability to find the literature gap of previous works by the well-known scholars as well as some researchers who did their analysis on Myanmar-China relations in many different aspects. The research design will be likely similar to the work of other researchers in finding the answer to the research question. There may be many ways to collect and analyse the data needed for the thesis. However, as mentioned in above paragraph, only the qualitative form of research will be conducted in this thesis and it is pretty sure for the researcher to get the in-depth analysis from the study of the works by others, official documents, academic and news articles, etc. Due to time constraint, it is difficult to carry out interviewing the scholars or officials concerning Myanmar-China relations in the focus of 2003 to 2011 in particular. Nonetheless, the author believes that the fieldwork surveys will unlikely getting the required data and supportive findings.

With documentary research and analysis, the author is planning to explore the books and works by the experts on relations and politics of Myanmar, China and the US. In terms of economic relations between these three countries, the study on certain trading statistics and the sanctions, as well as the aid to Myanmar by the United States, will be performed. In order to know China's foreign policy and relations with its neighbours as well as small states like Myanmar, it is needed to study China's go-out policy, China's foreign aid policy and China's economic preference toward Myanmar. And, another important matter to observe is about political relations between Myanmar and China whether bilaterally or in the international arena. In that case, the official statements, government's documents and the news sources will play the role. By all means with document research method, the researcher eager to find the answers to the research question.

3. Literature Review

Myanmar is a multinational state located in the middle of South and South East Asia regions. It gained its independence from Britain in 1948 and until 1962, it practised

parliamentary democracy with two years under the military-led caretaker government from 1958 to 1960. Post-1962 military coup, the country has many changes, but it is the start of military dominance in the country's politics that led to major military influence in domestic affairs since independence. Myanmar became socialist republic from 1974 to 1988 under 1974 constitution emphasising the "Burmese way to socialism". Myanmar has established a firm foreign policy at non-alignment with any superpowers and engages actively with every nation in the world. Therefore Myanmar had friendly relations with both East and West worlds as well as superpower states like the Soviet Union and the United States during the Cold War. The very timing just before and after the cold war, Myanmar's domestic politics and the economy has the critical condition because of suffering economic decline during the socialist era and the 1988 uprising, although fall short of an outcome due to the military coup by the military-backed socialist government. From that period until 2011, Myanmar was under the military regime and the military leaders' Xenophobia led the country to isolation and postpones any sort of democratization and abuse of human rights drew the attention of international pressure especially from the western democratic community led by the US. This is the brief background which described the pressure of US and the hedging towards China where China became rising as a superpower in the last two decades.

It is vital to study Myanmar's political situation as well as the economy before 1988 to 2003 as it is fundamental for growing tensions between Myanmar and the US and the close cooperation between Myanmar and China. Myanmar after 1988 when the military coup has happened, the general elections were held in 1990 and the opened the country's economy with the market-oriented economic policy from the socialist command economy by the military regime. Due to that fact, Myanmar's economy was growing from 1988 and the trading deals with many countries were established. Just before 2003 when the United States imposed economic sanctions on Myanmar, Myanmar's export to the United States was up to 13% while top export destination was Thailand with 33% and China covered only 2.3%. The main export commodities were Petroleum Gas (29%) and Dried Legumes (11%).

In this literature review, the researcher will study the scholar’s work, especially books as many as possible to understand the background and to find out the literature gap for the thesis proposal as follows:

3.1. Precursor to Myanmar, China and US relations before 2003

In order to understand the nature of sanctions imposed on Myanmar, it is crucial to understand Myanmar’s international standings, with specific regard to China and the US. The following are some literatures that discuss Myanmar relations with China and the US prior to the sanctions, with some anecdotes explaining about some reasons why the US decided to impose sanctions on Myanmar.

For example, Fink (2009) talks about how Myanmar fares before 2003 and go deeper into some incidents that attract international criticisms. The book is the first edition published in 2001 and the second edition in 2009, the book covers almost every part of Myanmar and its society, how the government rules people and how people survive within the control of the authoritarian regime. The author also made certain prediction for Myanmar's reform. Like many other books written about Myanmar, this one is also a good book for Myanmar studies and will be benefited for those who interested in domestic politics of Myanmar. In 2003, the change in Myanmar has had happened because of the Depayin Massacre and because of this, international attention became more and more focused on regime change and the democratization of the country. Although this book is good for studies of internal activities and domestic politics of Myanmar, it lacks in international relations area and not mention about foreign involvement in domestic politics of Myanmar.

Although Fink (2009) mainly focus on domestic politics, in the following year, Steinberg (2010) pointed out the importance of China's presence in Myanmar and Myanmar's position in US-China rivalry. The author explained what Myanmar is and how Myanmar becomes the current situation. It illustrated the country from the pre-colonial period until 2010 when the first democratic elections were held and the end of the military regime. It is elaborated era by era and pointed some significant issues within those eras. The most common issues are Myanmar's relations between the US as well as China as those two countries are most influential to Myanmar not only in the aspect of foreign relations but also in terms of

domestic politics where two major groups existed namely democratic forces and the communists. Although the book mainly focused on internal affairs of Myanmar, its main intention includes for the better understanding of international community on Myanmar and with that knowledge, they can contribute some way somehow to Myanmar whenever it is needed. This book gives background knowledge about the politics of Myanmar as well as the future aspect of the country. Myanmar and China are like family as Chinese diaspora penetrate in Myanmar community. Myanmar's importance in China's foreign policy is also mentioned. But it is also important to point out Myanmar's approach to China and Myanmar's counter to the US as well as how Myanmar survived in toughest pressures and sanctions from the international community led by the US.

Regarding sanctions, Martin (2012) did a very good research on US's sanctions on Myanmar. In his book which is the report to the United States Congress for the effectiveness of its use of economic sanctions as a tool to keep the pressure on Myanmar (Burma) for the democratization and the violations of human rights in the country. The United States, after the open up of Myanmar, reconsidered to change or lift the sanctions against Myanmar and it is important to figure out whether the sanctions work on Myanmar. The author mentioned that Myanmar used to had good relations with the United States and now also tried to re-establish the normal relations in terms of politics and economics. Because of this report, Myanmar's suffering from the US's economic sanctions and the impact of sanctions on Myanmar's economy. This report can be seen as a factual report to the US Congress while considering lifting of sanctions of Myanmar when Myanmar's democratization was happened. It can be considered as one of the primary sources.

With respect to democratization in Myanmar after 2011, while the US is considering lifting their sanctions, Egretreau et al (2013) wrote a book about Myanmar's diplomacy and the involvement of the military in it. The authors are Myanmar experts and the book's focus is on the military regime and the culture of armed forces in Myanmar and its relations to the foreign relations of Myanmar in historical aspect to the present day until after the democratization in 2011. Xenophobia of Myanmar's military leaders is mentioned expressly in the book and it shaped the foreign policy of Myanmar in every area including multilateralism. Cold War era "National Security" is still maintaining in Myanmar's military

core. The foreign policy doctrine of Myanmar and the development of its ideology within Myanmar's military are important for considering Myanmar's isolation and approach to China to counter the US. The book is mostly mentioned about Myanmar's domestic politics and the Xenophobia of military leaders. It is also needed to figure out the diplomacy in practice especially between Myanmar and superpower states – the US and China.

3.2. Myanmar’s leaning towards China

After the study of trilateral relations between Myanmar, China and the US prior 2003, the importance of the research is to trace the justification of Myanmar’s approach to China after 2003. In this regard, the following literatures help the researcher in finding the cause of Myanmar’s leaning towards China. There are many reasons like political, economic and international relations and system which push this scenario to happen. In this section, Myanmar seems to be leaning towards China almost in every aspect to counter the US, while the US and China are also competing to dominate the region. The scholars’ work related to this are discussed as the following.

It is important to study Starr (1981) to understand more about US-China's relations and its future. As it is published in 1981 which is 18 months after the normalization of the relations between US and China, it mostly mentioned about the possible future relations of these two countries in every aspect – political, trade, legal, etc. The important point is the Soviet Union was the balance of power to the United States and China is part of US's policy on East Asia. After China's economic reform in 1978 and the United States' recognition of the People's Republic of China and normalization of relationship and US's new engagement with China after thirty years and disregard Taiwan's political and legal status, it is vital for the new political development to the Asia Pacific. It is also pointed out the international relations theory relevance to real politics. The effect of US-China relations to the region and the US's policy towards East Asia including China will play a role in the study of China's rise in the region. China becomes a superpower in the late 2010s, but China was struggling like other Third World countries in the Asia Pacific and the rise of China and influence within the region is also needed to explore more to understand the bigger picture of international politics as well as politics of US-China relations' effect to the region.

While the work of Starr (1981) includes predictions about future relations and scenarios with regard to US and China, in the work of Sokolsky et al (2000) which is the book prepared for the United States Air Force under the name of Project Air Force by well-known research institute RAND. The importance of the Southeast Asia SLOCs (Sea lane of communications) to the US and China are discussed. The meaning of rising of China to the ASEAN and countries in Southeast Asia SLOCs and some other regional issues like Taiwan issue is some considerable facts on US's strategy toward China. Developing hedging toward rising China among Southeast Asia countries are discussed and the geopolitics with the region is also touched in a strategic point of view for the US. This book can contribute the US and China rivalry within the region and the hedging of Southeast Asian states toward rising China which is important for my research. This book mostly focuses on US side and only deal with the SLOCs in Southeast Asia and the gap is the importance of Myanmar because of its strategic location for China as well as Southeast Asia and South Asia.

As above two literatures focus on the relations between two superpower states, the work of Kaung Myat Soe (2011) who was the master student at Thammasat University is a comprehensive guide for Myanmar's stand with respect to China from 1988 until 2011 when the whole spectrum of Myanmar's military government seek out to survive the international pressure led by US and Myanmar's approach to China. In his master research paper, which can consider as a good source in Myanmar-China relations, the book examined Myanmar's foreign policy in general with the focus on the relations towards China and how does it effect to Myanmar's domestic situation. The author also wrote about prospects on the relations between Myanmar and China in two portions namely, current realities and future possibilities. According to the author, Myanmar is depending on China's aid which supported Myanmar in many ways, and it is also needed to do reform in the country to attract foreign investment. It is identified that Myanmar must choose China as it is needed to do so and Myanmar's foreign policy throughout history is firmly holding the non-alignment principles. Myanmar's approach to China is not only because of the United States' pressure but also with other factors inside and outside the countries and international politics. As this research paper, with clearly stated in the title, is only focused on Myanmar's foreign policy and analysed Myanmar's domestic and institutional politics, in

my work, I can find more on the side of China's on Myanmar as well as United States' involvement.

In another aspect observing Myanmar-China's relations, it is vital to study the work of Yun Sun (2013). It was the Issue Brief published by Stimson Center and there are series of briefs on Myanmar's politics and the reforms after opening in 2011 by the newly democratically elected government took office. Yun Sun pointed out that Myanmar enjoys many benefits from Chinese investments while China became rise in terms of economy in the last decades. From this, the then military junta gained many profits in terms of economic from those investments. After the democratization in 2011, there were many protests happened around the areas of Chinese major investment projects such as Myitsone Dam and Letpadaung Copper Mine, etc. This led to the deterioration of Myanmar-Chinese relations. These incidents indicate clearly about Myanmar-China relations which were mainly built between two governments but did not get support from Myanmar people. From this aspect, the relations between these two neighbouring countries cannot be flawless what the outside worlds see. This literature mainly focuses on Myanmar's needs of Chinese investments and it is needed to mention also about Chinese political support to Myanmar's government to survive during international pressure before the democratisation in 2011.

After studying international relations and economics between Myanmar and China, it is important to look inside Myanmar to comprehend why and how Myanmar survives and the vital of Myanmar-China as well as Myanmar-US relations. With this aspect, when the author studied Steinberg (2015), it is found that elaborate about Myanmar's dynamism with various points of view. As the author is an expert and long-time studying researcher on Myanmar issues, this book is an updated work of the author with the contribution from many scholars who have expertise in Myanmar's politics and economics. The book covers three main area namely, politics, socioeconomic and international relations. Especially the international relations part of the book gave many insights on Myanmar's relations with superpower and dominant states, specifically, China and the US on Myanmar's reform and changing during the past decades and covers the future relations. The hedging, or possibly balancing of Myanmar between US and China is mentioned in the book and the new development of the relations are also discussed. The book mentioned mostly related to the current state

of the country and the results of past decades are discussed. The years through the toughest pressure from the international community led by the US and Myanmar's approach to China is needed to dig more for in-depth analysis.

Besides outsiders' views mentioned in the above literature of Steinberg (2015), one significant work is to study the work of inside scholars. Therefore, Malik (2016) can be considered as primary sources because he served as Indian Ambassador in Myanmar as well as Myanmar expert for the Government of India. He stated in his book which features Myanmar in its old days before 1988 as well as contemporary politics as the author was served as Indian Ambassador to Myanmar in the 1990s. One of the crucial issues is China's influence on Myanmar is discussed and the India-China-Myanmar trilateral relations is also one of the considerations in the book. How Myanmar's foreign policy is being formulated and the India, China and Myanmar have the common position on certain issues like non-alignment movement and this is the significant one. Myanmar and China become closer and closer are not only because of outside pressures but also because of commonalities such as foreign policy stands and economic ties. Myanmar's relations with other superpowers like the US and Soviet Union (now Russia) haven't been discussed in the author's work.

3.3. Myanmar's foreign standing between China and US

Finally, the author studied some literatures relating to Myanmar's positions with respect to hedge China to counter US which means Myanmar prudently play in between China and US. Most of the scholars and experts argue that Myanmar is self-isolated country since the beginning of first military coup in 1962. The following literatures help the author to figure out the abovementioned stance.

The term "self-isolation" mentioned in the work of Steinberg (2001) who stated in his book that Myanmar is the closed-door state and difficult to predict. The military junta is heavily guarded its power and the foreign relations are among within the region and China as only friends. The United States and western allies are putting pressure for the democratization of Myanmar. This book explained the background knowledge of Myanmar and focus on its domestic and international politics and relations with countries among the regions. It is also

stated that Myanmar doesn't have many friends. Myanmar's close relations to China is mentioned in this book and Myanmar's desire to stay away from the US-led western allies and from their pressures for Human Rights violations and democratization of the country. Trilateral relations between Myanmar, China and the United States do not mention in the author's work which is important for Myanmar's hedging to China.

In another aspect, it is essential to look at the then and now superpower the US and then rising power China and especially its effects towards the region. Zhu (2006) in his book which is the extended version of author's doctoral thesis focused on China's rise and fall of US and the future relations between two superpower states as well as the historical analysis of former superpower relations. It is analysed the domestic politics and international system concerning the superpower countries. The book also explains in the comparison between the US and China's in every aspect including Taiwan issue and tries to fit with international relations theories. The book explains about power transition from the US to China when China's rise as a superpower state. It is also analysed how it affects the international system. The analysis is mainly focused on the internal characters of superpowers in history. It is good for foreign policy analysis at different levels. It makes the clearer picture for relations between the US and China and effects to the international system and comparisons and contrasts studies between superpower states present-day and in history. The focus of the book the comparison and contrast and hypothesis for future relations between rising China and the falling superpower United States and the study and theoretical framework is foreign policy analysis.

Finally, the perspective of a scholar from Myanmar in relation to Myanmar-China relations – how it evolves and how it maintains – is a must for the author to understand the Myanmar-China relations through the history. In the work of Maung Aung Myoe (2011), it is stated that Myanmar's relations with China developed gradually and Myanmar managed to cope with the neighbouring giant within the region. Finally, China became the strategic partner of self-isolated Myanmar. The book is developed in the chronological history of the relations between two neighbouring countries which used to have on and off relations and the managed to make up as strategic partners. It is important to say that this book is one of the gap filler literatures for Myanmar-China's relations as there are not many

chronological histories work in relations between Myanmar and China. The vital finding is the relations between these two countries cannot be friendly since the beginning and it takes time to overcome the clashes and incidents. Myanmar and China's close and friendly relations is important to study because Myanmar's approach to China or China's dominant to Myanmar doesn't happen in a day and it is an evolution as well as it needs to look as the emerging factors. Myanmar's foreign policy includes friendly relations with all its neighbouring countries and adopted the active and non-align foreign policy and normally, doesn't show very close relations with any superpower state.

3.4. Security, economic and multilateral relations

It is also important to look at the other dimensions of the two countries' relationship between Myanmar and China along the history as well as the certain period of study for this research. In order to achieve this, the security collaboration between Myanmar and China, Myanmar-China's economic relations and Myanmar-China's relations in multilateral level are also discussed as follows:

3.4.1. Security collaboration between Myanmar and China

According to Tin Maung Maung Than (2003), Maung Aung Myoe (2011) and Parameswaran (2018), Myanmar and China border each other more than 2,200 kilometres. It is shown that both countries had a huge amount of border relations and incidents throughout history. Since the end of Second World War, Myanmar became an independent state in January 1948 and China changed their regime from presidential democratic republic to communist country by the revolution of the Chinese Communist Party in October 1949. The first major military engagement was in the 1950s when the Kuomintang (KMT)'s troops entered Myanmar and it was considered as KMT invasion. Myanmar faced the then Republic of China (ROC), which seated as a permanent member in the United Nations Security Council, in the United Nations forums as Myanmar's effort to settle this issue in the international arena. The PRC troops helped and fought against KMT troops during that time. Over time, Myanmar and China always cooperated to fight against drugs and illegal trade. One important fact is China considers Myanmar as the exit for the Indian Ocean and that is why China's Belt and Road Initiative can also be regarded as part of China's national security policy and the involvement of Myanmar is strategic for both countries.

3.4.2. Myanmar-China's economic relations

After China's economic reform in 1978, the rise of China also affected Myanmar's economy in some part. Myanmar imported many products from China in their 1980s and 1990s up to present-day. As Myanmar was and still is the agricultural country, Myanmar exported a large number of agricultural products to neighbouring countries as well as around the world, mainly to the countries in the region. But Myanmar imported Chinese products since its independence and grew larger since the 1980s. From 1988 to 2003, Myanmar's export to the countries in the region became higher since the tighten pressures from the western world. Due to this scenario, Myanmar mostly exported to Thailand and China while China's quota did not exceed two-digit percentages. According to the Observatory of Economic Complexity (n.d.), in 2003, Myanmar's export to the United States (13%) and the top export destination was Thailand (33%) while China amounted 2.3%. Myanmar's major export products in 2003 were Petroleum Gas (29%) and Dried Legumes (11%). The economic relations between Myanmar and China is asymmetric and it is totally unbalanced. From that moment, China's investment in Myanmar grows larger and larger in both the public and private sectors (Kudo, 2008).

3.4.3. Myanmar-China's relations in multilateral level

Maung Aung Myoe (2011), Kalimuddin et al (2018) and Parameswaran (2018) discussed about the relations between Myanmar and China in multilateral level. Myanmar and China share the common foreign policy values known as five principles of peaceful coexistence adopted in 1954 and both countries actively participated in Non-Aligned Movement (NAM) to refrain from being an ally to any superpowers rivalry – the United States and the Soviet Union during Cold War. This also made Myanmar close to China. After the 1988 Uprising in Myanmar and 1989 Tiananmen Square protests of 1989 in China, the two countries were targeted by the western countries with the violations of their democratic and human rights norms – made Myanmar and China closer than ever. China after economic reform, they tried to gain influence in the region and in international politics. On the other hand, China faced South China Sea disputes with its neighbours who are members Association of South East Asian Nations (ASEAN). China's engagement with ASEAN is mainly economic relations and China does not satisfy with ASEAN's intervention to the settlement territorial disputes in the South China Sea. Myanmar does not show its clear standing in such matters which

can make confrontation with China. One important thing is all ASEAN countries including Myanmar recognise the One China Policy and regard Taiwan as part of China. In the arena of the United Nations, China protected Myanmar with its utmost effort to prevent the western allied countries' desire to impose sanctions on Myanmar and to intervene in Myanmar's domestic politics. In 2007, the attempt of the United States and the United Kingdom to act on the draft resolution of Myanmar was vetoed by the China and Russian Federation (United Nations, 2007). Myanmar government expressed their sincere gratitude on such measures of China and made two countries to become close in multilateral level.

4. Findings and Analysis

a. Historical development of Myanmar-China's relations

Myanmar and China have a long-standing relationship throughout the history with the undeniable reality of being shared the longest border of Myanmar to one of five neighbouring countries – more than 2,000 kilometres along the northwest to northeast of Myanmar's hilly regions. Two countries enjoyed a good relationship and had exchange of cultural, trade, diplomatic and even conflicts since the time of prehistory that of thousands of years ago. After Myanmar's independence in 1948 and Communist Party of China became the government in 1949, both countries shared common foreign policy principles of peaceful coexistence in the 1950s where most of all third world countries value these principles as of the basis of their foreign policy. Because of non-intervention of domestic affairs of each other state, Myanmar and China maintain good relationship among the difficult times of both countries when the international pressures were threatening to their economy and politics.

Maung Aung Myoe (2011) stated that, in order to discuss about Myanmar-China's bilateral relations, it is important to note that there are three layers of relations between these two countries – namely, people-to-people, party-to-party and state-to-state relations. All three layers were smooth during the early years of relations when the drawback was happened in 1967 Anti-Chinese riot in Myanmar although China was the first countries recognised Myanmar's military government after 1962 military coup led by then Defence Chief of Staff General Ne Win from the democratically elected parliamentary government named Union Party government led by Prime Minister U Nu. One other significant issue was Myanmar

government suppressed Burmese Communist Party (BCP) as an unlawful association and cracked down in many aspects like militarily and socially, etc. despite China hosted the BCP's leaders as party's relations. After 8888 Uprising in 1988 in Myanmar and Tiananmen Square incident in 1989 in China, the two countries suffered boycotted by the western world which made them closer ever.

China's opened their economy in 1978 as one country two systems, China's rising economy helped Myanmar's economy to gain survival after the failure of the socialist economy in the country and after the sanctioned of western countries after 1988. As China and Myanmar were close enough in terms of political background and principle of mutual non-intervention of domestic affairs of each state, China was the best partner for Myanmar to do a trade where only large market Myanmar can access. Although China was the important trading partner, it was totally unbalanced in trade flow as China only allowed, in terms of their big economy, only one-digit percentage of import from Myanmar while China's export to Myanmar amounted nearly half of the total imported commodities. But China's energy hunger was fulfilled by Myanmar in one way or another by Myanmar's oil and gas industry. On the other hand, Myanmar's daily lives were depended on China's product as a major supplier. Besides, China's corporations got many big infrastructure projects in Myanmar during the sanctioned years which also made Myanmar gained developmental stage with Chinese hands. (Kudo, 2008)

Since both countries had a good and pragmatic relationship along the history even before the statehood of the modern era, Myanmar's approach to China during the economic sanctions can be realistic. There were certain incidents, such as border demarcation, Anti-Chinese riot in 1967 and relations between Burmese and Chinese Communist Parties, etc., happened in the early relations after the establishment of formal diplomatic relations in the 1950s but it is managed to cope by both sides in an amicable way. Most importantly, Myanmar relied on China for their economy survival and relief of political pressures from the outside world after the military coup in 1988 and during the sanction's years from 2003 to 2011.

b. Bilateral relations between Myanmar and China during 2003 to 2011

Onward 2003 to 2011, Myanmar managed to get complete support from China not only in terms of economic support and aid as well as full back up political power in every international forum where western power players wanted to keep putting pressures on Myanmar’s non development of democratization inside the country and the handling the accused of human rights violations. In that case, Myanmar needs to rely on building military strength on cooperation with Chinese military as well as military contractors of China. Myanmar’s relations to China was regarded as “Pauk-Phaw (which means kinship)” which every scholar considered as special relations among two countries which makes different from relations with other countries.

According to Tin Maung Maung Than (2003), Myanmar's access to the Indian Ocean attracts China to invest in Myanmar and protect from any foreign powers to influence on Myanmar's national security. It is vital for China to get access to the Indian Ocean and to maintain its power competing with India which is also another regional power with second largest population after China and besides, India's closeness to western democratic countries and India was also trying to compete with China to get the leadership role in the region. Myanmar was playing both sides but India's stance to interfere with domestic politics for democratization – allergic to Myanmar. The United States' pivot to Asia and because of Myanmar's strategic location, China must take the lead to get an influential role on Myanmar when no other superpower can do so. BBC Burmese (2018) stated that Myanmar's military cannot buy any military equipment and weapons such as aircraft from any other market, China's F-7 which created with a similar design to Soviet’s MiG-21 fighter aircraft. It made the significant evidence that Myanmar’s building of modern army with China’s support in terms of technical as well as policy influence.

Eventually, Myanmar and China reached to the utmost closest stage of diplomatic relations in 2011 when the two countries managed to sign the agreement on “Strategic Partnership”. Throughout the period of military government from 1988 to 2011, Myanmar's government permitted several projects to Chinese private and public companies with only a few corporations from other countries including Myanmar's national owned corporations did not get a chance to develop their business establishment in Myanmar. Myanmar also signed

many bilateral cooperation agreements and MoUs during that period in different levels from Central government to the local authority in many aspects of bilateral cooperation not only for business but as a national strategy. (Kaung Myat Soe, 2011)

The bilateral relations between China and Myanmar marked the good relations throughout the history with small incidents – which can also be happened within the family. China’s consistent standing as backup superpower to Myanmar and non-interference of domestic affairs of Myanmar made gaining trust from Myanmar and Myanmar’s return as a loyal ally to China in every international forum – vice versa, made China’s awareness of Myanmar’s strong desire to become good friend, eventually “Pauk-Phaw (kinship)”.

c. Myanmar and China’s engagements in multilateral level from 2003 to 2011

Both Myanmar and China are members of the United Nations and this forum created the major political pressure to every country around the world according to the Charter of the United Nations, 1945. China is one of the permanent members who can use veto power in the meetings of the United Nations Security Council which has complete authority to decide whether one country's situation is threatening to the peace and stability of the world or region and necessity of foreign intervention to maintain peace and stability. With these facts, Myanmar and China stay close to each other in the making of every world decision not to harm to their national policies. Besides, China also needs to pay attention to the regional powerhouse like ASEAN which Myanmar is a full flesh member. ASEAN's economic and political positions can affect China and other countries in the region even to the US and that is why Myanmar's stance is also important whether effecting to ASEAN's decision-making process.

On January 12, 2007, Myanmar’s representatives were exciting for awaiting their country’s destiny whether it will be better or worse because of the draft resolution to decide international action is needed to be taken to cool down the situation happened in Myanmar. Dramatically, China and Russia whom were (and currently also) permanent members of the United Nations Security Council and have the right to use veto to discharge the draft resolution, double vetoed Myanmar's draft resolution which made the western

powers – France, UK and US disappointed – which (also in term of voting) 9 favoured with 3 abstentions and 3 against draft resolution was not able to act. It was the first multiple vetoes after 1989 used by Britain, France and the United States on Panama issue. The accused of Myanmar were violations of human rights, ethnic cleansing, narcotic drug trafficking, etc. For Russia who inherited from the Soviet Union, it is not unusual matters for using veto in UNSC, but, up to 2017, China only used (including used by the Republic of China) 11 times in the United Nations history which makes the logical for the audience to believe how Myanmar is vital for China’s foreign policy (United Nations, 2007; Hoge, 2007).

Myanmar’s political stance is not to interfere with the domestic affairs of one country as well as to refrain from letting the foreign power to decide its own destiny. Myanmar always stands neutrally in the South China Sea disputes which China has been blamed for their claims based on the historical background which most of the world believe that it is not fair and justice. In 2002, Myanmar supported Code of Conduct (which is a non-binding document) for South China Sea disputes adopted by ASEAN and China. After a decade has passed, several claimant states within the ASEAN tried to reinforce Code of Conduct with another useful way to approach this issue to face with China. For this time, Myanmar, as the Chair of ASEAN in 2014, managed to neutralise the tension between ASEAN and China to get the hot issue cool down in diplomatic means. Myanmar’s stance is always close to China and aligns with China's interest. Although this kind of standing is criticised by many countries from the international community, Myanmar is still holding its faithful friendship with China (Desker, 2015; Bi, 2014).

China and Russia’s dramatic support to Myanmar’s on its draft United Nations Security Council’s resolution to intervene Myanmar to maintain peace and security of the region was one of the largest benefits enjoyed by Myanmar so far in terms of politics. In return, Myanmar always supports both China and Russia in the international arena in line with their foreign policies. It is undeniable that both Myanmar and China need each other support to survive in multilateral meetings not to demolish their foreign policy with a crush from opposite interest groups.

5. Conclusion

Myanmar's domestic politics and economy suffered the certain amount of damage from the international pressure and economic sanctions led by the United States started from 2003 until the complete lift of sanctions in 2016 because of democratic transition and open up in 2011. During the toughest time from 2003 onward, Myanmar managed to strengthen its existing good relations with China up to the strategic partnership and achieved mutual benefits from both sides. Both Myanmar and China recognized each other as the sovereign independent state as soon as one country happened regime change of any kind of political situation was happened – the event of Communist Party of China became the government in 1949 and the military coup in Myanmar in 1988, for instance. Besides, practising of the non-intervention and peaceful co-existence principles also makes the two countries to become closer while both suffering the boycott of western developed countries in the past because of their undemocratic regimes and human rights violations. After imposing economic sanctions by the international community led by the United States, China became the only and large market which Myanmar can access as well as for imports of the needy commodity. Such scenarios led Myanmar to become rational to deal with only China and countries in the region for its economic survival as well as grow of military strength for their national security and regime's stability. Myanmar and China also experienced several accidents but finally able to command to be friendly again, especially in security cooperation. Although Myanmar's economy seems to be enjoying good relations with China, but it can be considered as fair trade as their trade relations is asymmetric due to the dominance of lion share of China's export to Myanmar while Myanmar's export doesn't mount a significant number to China. But there is one important matter which both countries cannot deal with their own consent easily – which is in multilateral fora where group pressures and international views are reflected on these two countries' political situations. In this case, Myanmar tried to get protection from China as it is one of five permanent member countries which can use veto power in the United Nations Security Council (UNSC) and China also gained certain benefits from Myanmar in regional dialogues like ASEAN and some regional issues like the South China Sea (SCS) in many aspects where one country can also enjoy certain right for international recognized decision. In 2006, Myanmar was saved by the China and Russia by using their veto which made the rare case for using double veto in the history of UNSC, not to impose international actions to be taken because of UK's proposal to do intervention to the country's due to domestic

violence and threaten to the regional security according to Myanmar's human rights situation. The prime benefit of Myanmar's approach to China during the toughest time in suffering of international pressures and economic sanctions led by the United States from 2003 until country's re-engagement with western world in 2011 can be considered as realistic, rational and pragmatic for Myanmar as China was one good friend in terms of politics as well as economy during certain period time for this study.

Bibliography

BBC Burmese. (2018, October 16). F-7 ဆိုတာ ဘယ်လို လေယာဉ် အမျိုးအစားလဲ. Retrieved from <https://www.bbc.com/burmese/media-45881701>

Bi, S. (2014, May 20). Myanmar keeps ASEAN position neutral on South China Sea disputes. Global Times. OP-ED. Retrieved from <http://www.globaltimes.cn/content/861288.shtml>

Clinton, H. R. (2014). Hard Choices: Simon & Schuster.

Desker, B. (2015, July 29). China's conflicting signals on the South China Sea. The Brookings Institution. OP-ED. Retrieved from <https://www.brookings.edu/opinions/chinas-conflicting-signals-on-the-south-china-sea/>

Egreteau, R., Jagan, L., & Steinberg, D. I. (2013). Soldiers and Diplomacy in Burma: Understanding The Foreign Relations Of The Burmese Praetorian State: SINGAPORE University Press.

Fink, C. (2009). Living Silence in Burma: Surviving Under Military Rule: Silkworm.

French, H. W., Johnson, I., Jenne, J., Crossley, P. K., Kapp R. A. and Meyer-Fong, T. (2017, March 22). How China's History Shapes, and Warps, its Policies Today. Foreign Policy. Retrieved from <http://foreignpolicy.com/2017/03/22/how-chinas-history-shapes-its-foreign-policy-empire-humiliation/>

Hoge, W. (2007, January 13). U.S. Rebuke to Myanmar Is Defeated by U.N. Vetoes. The New York Times. The Asia Pacific. Retrieved from <https://www.nytimes.com/2007/01/13/world/asia/13nations.html>

Kalimuddin, M., & Anderson, D. (2018). Soft Power in China's Security Strategy. Strategic Studies Quarterly, 12(3), 114-141. Retrieved from <https://www.jstor.org/stable/26481912>

Kaung Myat Soe. (2011). Myanmar Foreign Policy Towards China: From 1988 To Present. Master Research Paper, M.A. (IR). Thammasat University.

Kudo, T. (2008). Myanmar's economic relations with China: Who benefits and who pays? In Skidmore M. & Wilson T. (Eds.), Dictatorship, Disorder and Decline in Myanmar (pp. 87-110). ANU Press. Retrieved from <http://www.jstor.org/stable/j.ctt24hf5k.10>

Kuik, C.-C. (2016). How Do Weaker States Hedge? Unpacking ASEAN states' alignment behaviour towards China. Journal of Contemporary China, 25(100), 500-514. doi:10.1080/10670564.2015.1132714

- Malik, P. (2015). *My Myanmar Years: A Diplomat's Account of India's Relations with the Region*: SAGE Publications.
- Martin, M. F., & Service, L. o. C. C. R. (2012). *U.S. Sanctions on Burma*: Congressional Research Service.
- Maung Aung Myoe. (2011). *In the Name of Pauk-Phaw: Myanmar's China Policy Since 1948*: Institute of Southeast Asian Studies.
- O'Leary, Z. (2014). *The essential guide to doing your research project (2nd ed.)*. Thousand Oaks, CA: SAGE Publications, Inc.
- Parameswaran, P. (2018). *What's Next for China-Myanmar Security Relations?* *The Diplomat*. Retrieved from <https://thediplomat.com/2018/07/whats-next-for-china-myanmar-security-relations/>
- Sokolsky, R., Rabasa, A., Neu, C. R., Dorsey, M., Force, P. A., Force, U. S. A., & Corporation, R. (2000). *The Role of Southeast Asia in U.S. Strategy Toward China*: Rand.
- Starr, J. B. (1981). *The future of US-China relations*. New York: New York University Press.
- Steinberg, D. I. (2001). *Burma: The State of Myanmar*: Georgetown University Press.
- Steinberg, D. I. (2010). *Burma/Myanmar: What Everyone Needs to Know*: Oxford University Press, USA.
- Steinberg, D. I. (2015). *Myanmar: The Dynamics of an Evolving Polity*: Lynne Rienner Publishers.
- The Observatory of Economic Complexity. (n.d.). Myanmar's exports and imports data. Retrieved from https://atlas.media.mit.edu/en/visualize/tree_map/sitc/export/mmr/show/all/1988/
- Tin Maung Maung Than. (2003). *MYANMAR AND CHINA: A Special Relationship?* *Southeast Asian Affairs*, 189-210. Retrieved from <http://www.jstor.org/stable/27913234>
- United Nations. (2007, January 12). *SECURITY COUNCIL FAILS TO ADOPT DRAFT RESOLUTION ON MYANMAR, OWING TO NEGATIVE VOTES BY CHINA, RUSSIAN FEDERATION*. Meeting Coverage and Press Releases. Security Council. Retrieved from <https://www.un.org/press/en/2007/sc8939.doc.htm>
- Yun Sun. (2013). *Chinese Investment in Myanmar: What Lies Ahead?* *Great Powers and the Changing Myanmar*, Issue Brief No. 1, September 2013. Stimson Center.
- Zhu, Z. (2006). *US-China Relations in the 21st Century: Power Transition and Peace*: Taylor & Francis.

An Alternative View of South China Sea Disputes:

Significance of Locations

Luong Anh Linh

luonganhlinh177@gmail.com

Abstract

The purpose of this study is to examine the geopolitical influence in the South China Sea (SCS) dispute and to analyze why the dispute has yet to be negotiated via Code of Conduct (COC), as well as the impact of Chinese's hegemony in relation to international politic behavior. The author argues that the Spratly Islands and the Paracel Islands, both located in SCS; has become an obstacle in creating multilateral security in the region. The question of who owns these two islands, was largely ignored until the 1970s when oil companies began exploring in Spratlys and event in 2014 when China pulled off the rig of Hai Duong 981 to a position near Paracels located entirely within the 200 nautical mile exclusive economic zone (EEZ) of Vietnam under the United Nations Convention on the Law of the Sea (UNCLOS) while the primary concern of SCS dispute lies at China's "nine dashed lines" that is construed through SCS, in areas where several other countries dispute their claims. Therefore, sporadic military confrontations over sovereignty, sovereign rights, and jurisdiction have taken place. China, Vietnam, Taiwan, the Philippines, Malaysia, and Brunei claim parts or all of the aforementioned islands; thus, the Spratly and the Paracel Islands have become an important flashpoint in the dispute. However, the dispute in SCS may tend to be noted monolithically and ignored the diversities and differences of those disputes; and international relations studies just concern how the involving countries try to maximize their national interests. This research will also explain China's different attitudes on negotiation with Vietnam over two islands due to the dispute between China and Vietnam in SCS are mixed with cultural and historical heritage fundamental to the understanding of their respective positions. Ensuring the sovereignty over the islands, for these countries, also means to ensure important economic and geopolitical interests in Asia Pacific.

1. Introduction

The South China Sea (SCS) is one of the most significant and most controversial sea lanes of the 21st century, so its dispute has been researched from the past until now. Christian Le Mière and Sarah Raine, researchers at the International Institute for Strategic Studies (IISS) stated in their book "Regional Disorder: The South China Sea disputes" that the SCS dispute is about domestic political will to reflect emerging popular nationalism and about

international political will to find peace to security structures in Asia. They argue this disputes matter, not because they prove to be a game changer in Asia, but their reflectiveness in changing game in Asia. They also imply the story of the SCS about claimants and non-claimants, regional power and extra-regional power that involve state actors and non-state actors (Miere & Raine, 2013).

More than that, most other claimants consider the nine-dash line as the starting point of negotiations for joint development as “the land dominates the sea” (Mahan’s theory) that contracts principle of UNCLOS, so a coastal state can claim maritime zones based only on land over which it has sovereignty. Vietnam is the only nation has both bilateral and multilateral disputes with China over the two islands: Paracel and Spratly long-lasting many centuries.

2. Problem Statement

The scholars assume that multilateral negotiations, which involved multiparty negotiations favored Vietnam, but there is no account that examines how Vietnam used multilateral negotiations to persuade China to compromise over the dispute. Those views explain China’s political intrigue that occupies the entire SCS. However, not only the generalization of the dispute over China's irrational Nine-dash line from its political power struggle, but the involvement of different claimant nations competing for sovereignty over Paracel and Spratly Island also play a significant role. The differences in content of the sovereignty dispute in the SCS between different Southeast Asian nations with China, most notably Vietnam, deeply reflected China's hegemony.

Hence, the paper will provide a view by looking at the significance of geographical locations of the disputes affect Vietnam’s negotiation vs. China over the SCS, which are relatively ignored by the existing literature.

3. Research Question

1) How have Vietnamese bilateral negotiation not persuaded China to compromise over the South China Sea dispute?

2) How have Vietnamese multilateral negotiation helped China compromise over the South China Sea dispute?

4. Literature Review

4.1 The Dispute between Vietnam and China over the Issue of Geographical Context

4.1.1 Historical Context

Paracels (Vietnamese: Hoang Sa/ East Sea/Chinese: Xisha) and Spratlys (Vietnamese: Truong Sa, Chinese: Nansha) are two archipelagos located in the center of the SCS (Vietnamese: Bien Dong/ East Sea, Filipino: West Sea). Sovereignty over the Paracels has been in existence for over a hundred years and for the Spratly archipelago for eighty years. Initially, the sovereignty dispute over the Paracel archipelago was only between the disputed Vietnam and China. But due to the geopolitical change after the end of World War II, the development of science and technology in both the civil and military fields, the oil crisis and the legal order in the sea. Newly established by the law of the sea between the 1970s and 1980s, sovereignty disputes have extended to the Spratly Islands and the waters surrounding these archipelagos (Thao, p. 01, 2012; Roy, 2016, pp. 411-413; Scott, 2012, pp. 1019-1042).

There are also several disputants such as Great Britain and Japan that have claimed for some of the islands but subsequently renounced. Since 1956, new disputes such as the Philippines, Malaysia and Brunei have emerged especially in the late 1970s. After two naval engagements in 1974 and 1988, China occupied the whole of the Paracel Islands and several islands in the Spratly Islands. The Mischief Rebellion of 1995 between China and the Philippines led ASEAN and China to negotiate the Code of Conduct in the South China Sea (COC), the first result of which was the signing of the Declaration on the Conduct of Parties party in the South China Sea (DOC) in Declaration on the Conduct of Parties in the South China Sea between ASEAN and China (8th ASEAN Summit, 2012).

Otherwise, after the signing of the DOC, the situation in the SCS has cooled down for several years. However, since 2009, the United Nations has submitted a U-shaped map (nine-dotted line) to the United Nations Commission on the Limits of the Limits (CLCS), statements about

China's "core interests" (Thayer, 2010, pp. 1-3) and "US national interests" (ARF 17, 2010) in the SCS, the situation re-emerges and raises deep concern for the international community. The complex dispute history and unsuccessful attempts to find acceptable dispute resolution solutions have made the disputes in the SCS one of the most complex disputes in the map of international politics (Hung & Park, 2009, pp. 1-28).

4.1.2 Facts of Paracel and Spratly Islands

The dispute over territorial sovereignty over Spratly and Paracel archipelagos is in fact a state of territorial disputes created by several countries in the region took advantage of the opportunity and used force to occupy some or all of Vietnam's sovereignty archipelago in the SCS. According to international law, to prove and resolve this type of dispute, the parties concerned, or the international arbitration body have based on the principle of "real possession". It is worth emphasizing that there is no provision in UNCLOS that addresses this principle. UNCLOS is indeed not a legal basis for resolving territorial claims to the Paracels and Spratlys (Dutton, 2011).

The Spratly Islands are about 350 nautical miles away from the Spratly Islands, the nearest is about 500 nautical miles, 305 miles from Vung Tau and 250 nautical miles from Cam Ranh, 240 nautical miles from Phu Quoc. Binh Thuan (Phan Thiet) 270 nautical miles. The islands stretch from 6o 2 'B, 111o28' B, from longitude 112 ° E, 115 ° D.4) in the sea area of about 160,000 to 180,000 km². However, the area of islands, rocks, floating beach on the water surface is very little, only a total of 11 km² (nghiencuuquocte, 2010). According to Thao, in 1988, there are 137 islands, rocks, yards (1.5), including 5 undergrounds in the continental shelf of Vietnam. Besides, according to French statistics in 1933, there are 9 main kinds including islands, rocks and adjacent yards. The Philippines lists 53 units of islands and islets in an area of 976 square miles. Based on the map drawn by the General Staff Office of the Socialist Republic of Vietnam in 1979, the Spratly Islands can be divided into nine main clusters from the north to the south.

The Paracel Islands are in a range of about 15,000 km², between the meridians about 111 degrees East to 113 degrees East, about 95 nautical miles (1 nautical mile = 1,853 km), from 17o05 'to 15o45' north latitude, about 90 nautical miles; The depth is more than

1000m, but between the islands the depth is usually less than 100m. About the distance to the mainland, Paracel archipelago is closer to the mainland of Vietnam than from Triton Island to Ba Ba Village (Cap Batangan: 15 latitude B, 108 degrees 6 'D). In Vietnam, the sea is 135 nautical miles away, while the reefs are only 123 nautical miles away, while the closest island to the coast of Hainan is 140 nautical miles (Hoang Sa Pattle: 16 latitude B 111 degrees 6 ' E and Ling-Sui or Leing Soi: 18 B latitude, 110 E); It is much farther from the mainland of China, at least 235 nautical miles. There are 23 islands named, including 15 islands, 3 beaches, 3 rocks, 1 alcohol, 1 island. The islands are not high, especially Hon island (50 feet), the lowest island is Tri Ton (10 feet). The main islands consist of two groups: Crescent group in the Southwest and an Amphitrite group in the North East (nghienccuquocte, 2010).

Currently, Vietnam and China (China and Vietnam are considered as a disputing party because of the same views over the Paracel and Spratly disputes) claim the entire Paracel and Spratly Islands, while Brunei, Malaysia and the Philippines claim in part or most of the Spratlys. There are many articles that clarify the views of the parties and propose solutions to the dispute. Several reasons have been put forward to explain the complexity of the SCS dispute: the geographical location of the SCS; disputes over sovereignty over the Paracels and Spratly Islands and the waters of the SCS; the race for control of natural resources in this area; the lack of clarity of UNCLOS 1982 on the status of islands and islands, and national sentiments (Thao, 2012, pp. 165-211).

4.2 Law Application and Negotiations

Although the Spratly Islands have received most international focus, the issue of sovereignty in the SCS is actually made up of a number of separate disputes, with the Paracels Islands being claimed by Vietnam and China, Scarborough Shoal contested by China and the Philippines, and the Spratly Islands claimed in whole or in part by Brunei, China, Malaysia, the Philippines, and Vietnam. In addition, there are also clashes over maritime areas, such as exclusive economic zones and extended continental shelves. China's officially stated approach for resolving the SCS disputes is through bilateral negotiations, and so it's interesting to examine how this approach is being applied in practice (Duong, 2011).

First, there's the Paracels dispute. Despite insisting on the approach of bilateral negotiations, China has refused to apply it. On the Spratlys dispute, clearly bilateral negotiations couldn't be expected to bring about a settlement of this multilateral dispute.

Secondly, let's consider what China means by 'negotiation.' The fact is that China's policy isn't to negotiate on the issue of sovereignty, but rather to maintain its stance that (a) sovereignty belongs to China, (b) the claimants should shelve the sovereignty disputes and, (c) the claimants should jointly develop the resources with China. Therefore, by 'negotiation,' China only means negotiation on temporary arrangements, not negotiation on the issue of sovereignty (Duong, 2011).

These two considerations show that China's approach of 'bilateral negotiations' is not aimed at actually resolving the sovereignty disputes. From the point of view of strategy, the absence of a settlement gives China, as the claimant with overwhelming hard and soft power, increasing opportunities to strengthen its controls and weaken those of the others. Another reason for the bilateral approach is that if the Southeast Asian claimants deal with China individually, they will be more likely to succumb one by one to China's superior strength. Another component of China's approach, one that is unstated but still practised, is an effort to maximise the contested area. China's mysterious U-shaped line covers most of the South China Sea. Its actions, those against Vietnam's survey ships Binh Minh 2 and Viking 2 in May and June 2011, were within the area claimed by China, though not far off the Philippine and Vietnam coasts. In a dispute, the party that has overwhelming strength is likely to achieve more aims than the others. Therefore, the larger the contested area, the more China is likely to gain. While the approach for China has three components, namely maximizing the contested area, temporarily maintaining the condition of a sovereignty dispute while consolidating effective control, and drawing on 'divide and conquer,' the Southeast Asian claimants, being the weaker parties to the disputes, seem to be adopting the opposite approach: minimising the contested area. In the attempt to minimise the contested area, the Southeast Asia claimants can appeal to international law regarding maritime delimitation, including the principles codified in UNCLOS to minimise the extent of the waters belonging to the contested islands.

According to Article 121.3 of UNCLOS, ‘Rocks which cannot sustain human habitation or economic life of their own shall have no exclusive economic zone or continental shelf.’ If this is applicable to the Paracels, Spratlys, and Scarborough Shoal, then they will have at most a 12-nautical-mile territorial sea. Even if Article 121.3 of UNCLOS is not considered applicable, the Paracels, Spratlys, and Scarborough Shoal are tiny. Therefore, according to international law, they ‘generate’ far fewer EEZs and continental shelves than the uncontested territories around the South China Sea. This means that even if the Paracels, Spratlys, and Scarborough Shoal are considered to merit EEZs, their EEZs would not extend far beyond 12 nautical miles (Thayer, 2018).

Despite the fact that the Southeast Asia claimants cannot yet be united regarding the sovereignty issue, they can indeed be united in the common approach of minimizing the contested area utilizing multilateral mechanisms, and so they can achieve strength in numbers. While this common approach gives the Southeast Asian claimants a legal and diplomatic advantage over China, these claimants still do not have enough resources to resist China’s attempt to achieve effective control.

5. Methodology

This study is qualitative and retrospective in nature through interpreting and discourse-analyzing the accumulated primary data from the Vietnam documents and publications of the bilateral and multilateral negotiation as well as international news; and secondary data from including both Internal Secondary Data consists of reports from past primary research and External Secondary Data consists of government statistics and information from media sources such as academic journals and articles.

The dispute over the Paracels and the waters belonging to them is a bilateral matter between China and Vietnam, and so “bilateral negotiations” should be appropriate. The Spratlys and the waters belonging to them, however, are claimed wholly or partly by Brunei, Malaysia, the Philippines, Vietnam, and China, and this dispute is therefore “multilateral” by definition. As such, resolution of the Spratlys dispute requires a multilateral mechanism involving all the claimants. Besides, ASEAN is one of the three main decisive factors in the SCS. ASEAN and China have reached a milestone in resolving disputes

in the SCS by 2017, through the drafting of the Code of Conduct in the South China Sea (COC), the successor to the Declaration on Conduct of the Parties in the South China Sea (DOC). Although this is a step in the right direction, the draft framework did not address the legality of the COC, the scope of application and the mechanism to ensure compliance with the code.

6. Comparison Vietnam’s Negotiations with China between the Paracel Islands and the Spratly Islands Dispute

6.1 The Paracel Islands Dispute

The dispute between China and Vietnam over the law, which had been in the works for years, is the latest example of Beijing’s determination to tell its Asian neighbours that the SCS is China’s preserve (Jane, 2012).

The situation in the SCS was hot in 2009, when in March, the US ship *Impeccable* clashed with Chinese ships and in May when China objected to filing jointly the boundary of the Vietnamese-Malaysian continental shelf and the lake. Vietnam's border with the continental shelf before the deadline of May 13, 2009, which the United Nations. The protest statement of the Chinese delegation on May 7, 2009, included a map of the "dotted line" claiming 80% of the SCS area on a so-called historical basis. This is the first time China has taken this map to the international community. After that, China adopted a series of measures to establish the "Nine Dash Line" in practice (Thuy & Ngoc, 2013, pp. 1-20).

Thus, the 10-point DOC 2002 was supplemented by the 8-Point DOC Instruction 2011 to further clarify the contents of the DOC's points. Like the DOC 2002, DOC 2011 evades the scope of application, albeit only for collaborative projects. The scope of the DOC is understood by both Vietnam and ASEAN, including the Paracel and Spratly areas in dispute, and China only understands the Spratlys. China expresses the view that the DOC is a document signed between China and each ASEAN member country, not the ASEAN bloc, on the other hand. At the ARF 17 held in Hanoi in 2010, China's policy towards the SCS was non-internationalized, non-multilateral, and bilateral. In the context of the need for a political paper to cool down in the SCS such as the DOC 2011, finding a compliant formula is mandatory (Institute of Oriental Studies of RAS, 2014).

ASEAN and China signed the DOC in 2002 in the hope of soon reaching a legally binding COC. However, in August 2017, a new draft COC framework was adopted by ASEAN Foreign Ministers. China is seeking a COC that should not be legally binding. Meanwhile, Vietnam and ASEAN want the COC to be legally binding. Eventually, ASEAN had to yield to China by adopting a draft of China's constitution (Panda, 2017).

It can be seen that ASEAN always yielded to China from DOC 2002, DOC 2011 to COC 2017 to achieve a temporary agreement to lessen the tension in the SCS. Vietnam is in position of not only a country having both bilateral and multilateral disputes with China, but also a member of ASEAN has no choice to add Paracels sovereignty to COC to benefit it.

Tran Viet Thai (2016), deputy director of the Institute for Strategic Studies, Ministry of Foreign Affairs of Vietnam, said earlier that ASEAN wanted to use the COC itself to bind China, but now there is the risk that China will use its own COC to bind ASEAN in terms that China desires and they will use this to overrun ASEAN. Hoang Viet (2016), a member of the SCS Research Fund, said that one of the reasons why the COC has stalled for many years without any progress is due to the problem of the Paracels. He said: "It is definitely a challenge. COC is related to the Paracel Islands, one of the reasons that the COC has stalled is because it is related to the Paracel Islands. The ASEAN countries that issued the COC are the entire SCS, and China claims that the Paracels are part of China's territory and that there is no need to negotiate. Only COC can be issued to the Spratlys".

6.2 The Spratly Islands Dispute

The primary focus of Vietnam's multilateral approach is ASEAN. Hanoi's desire to use ASEAN as a diplomatic tool in its dispute with China has been demonstrated by its continuous efforts to make sure that the SCS is placed high in the Association's political and security agenda. This effort is opposed by China-which prefers the disputes to be dealt with bilaterally-but is shared by some regional countries, especially the other claimant states. At the 17th ARF in Hanoi in July 2010, for example, Vietnam was encouraged when representatives of more than half of its twenty-seven member states addressed the SCS disputes in their official speeches (Duong, 2010). Notably, U.S. Secretary of State Hillary Clinton stated that "the United States, like every nation, has a national interest in respect

for international law in the SCS” (U.S. Department of State 2010). In what was generally interpreted as an attack on the vague legal basis of China’s expansive claims in the SCS. Clinton added that “legitimate claims to maritime space in the SCS should be derived solely from legitimate claims to land features”. Clinton’s speech was well received in Vietnam.

However, Vietnam’s effort to manage the SCS disputes through ASEAN has its limitations. At the 45th ASEAN Ministerial Meeting (AMM) hosted by Cambodia in July 2012, for example, despite the insistence of Vietnam and the Philippines, Cambodia refused allegedly under China’s pressure-to include references to incidents in the SCS in the final communique. Cambodia’s intransigence ultimately led to the AMM’s failure to issue a joint statement for the first time in its forty-five-year history. Vietnamese Foreign Minister Pham Binh Minh’s statement that he was “very disappointed” over the incident (Thul and Grudgings 2012) further testified to Vietnam’s consistent efforts to soft-balance China through ASEAN. In an interview with Reuters on April 28th 2017, Secretary General Le Luong Minh said that ASEAN has not received any guarantees from China on achieving the COC framework this year. ASEAN, however, expects some provisions to be adopted to prevent conflict and militarization in the SCS. COC is very important when the situation in the South China Sea is complicated, especially in terms of militancy and occupation as well as unilateral action. For ASEAN, a framework must contain substantive elements, and a code of conduct must be legally binding”.

According to Forbes article 2015, it is very unlikely that China will accept Vietnamese vessels or any other country near the Paracels, which means that China will oppose a COC that allows other countries have access to these archipelagos. Moreover, other years, many Vietnamese fishing vessels fishing near the Paracels archipelago, which is their traditional fishing habitat for many generations, has been routinely chased by Chinese law enforcement vessels. There are fishing boats of the Quang Ngai (Vietnam) fishermen arrested by China, confiscated and ransomed. Even the fishing vessels of Vietnamese fishermen in the Paracel Islands have not been accepted by the Chinese.

However, the ASEAN side recently also expressed "self-restraint" while still avoiding directly mentioning China in documents expressing general concern about the situation in the SCS, from the press release (Articles 10, 11) to the ASEAN-Australia Joint Declaration (Article 9). It can be said, even though ASEAN has reached a consensus in expressing concern about the South China Sea issue, it still maintains the traditional view of the whole block to limit further complicate the situation. This position of ASEAN is also consistent with Vietnam's "slow but steady" approach in the SCS (Driver, 2018, pp. 120-135).

In August 2018, the foreign ministers of ASEAN and their Chinese counterpart announced agreement on a Single Draft SCS Code of Conduct Negotiating Text (SDNT) that will serve as the basis for the adoption of a Code of Conduct in the SCS. It is structured according to the previously adopted Framework Agreement on the Code of Conduct into three main sections – preambular provisions, general provisions, and final clauses. The SDNT does not clearly define the geographic scope of the SCS. Under General Provisions, Vietnam suggested that, “the present Code of Conduct shall apply to all disputed features and overlapping maritime areas claimed under the 1982 UNCLOS in the SCS.” However, the SDNT is also a work in progress that is slated to go through at least three readings to create a final Code of Conduct in the SCS (Thayer, 2018).

After all, COC cannot be a means of resolving disputes over territorial sovereignty or demarcating the sea in the SCS. The settlement of such disputes must be affected by direct negotiations between the disputing parties, or through competent international arbitration agencies and agreed upon by the parties to the dispute. Like the DOC 2002, the COC will continue to be a tool to build trust in order to create a peaceful, stable and trusting environment and encourage cooperation in the use and management of the SCS in a peaceful, on the basis of compliance with international law, in particular the 1982 Law of the Sea Convention; as well as measures taken within the framework of the COC will not prejudice the settlement of territorial and maritime disputes. On the other hand, the COC should inherit and develop the provisions of the 2002 DOC, overcoming constraints that hinder the implementation of the DOC in practice to reduce tension and risk of conflict in the SCS.

For the above purpose, the COC should not stop at the commitment of the parties to implement the framework principles, or not to take unspecified actions. The COC must clearly identify acts that are not allowed to proceed in the SCS for violations of international law, the 1982 UN Convention on the Law of the Sea, agreements between parties concerned in relation to the maritime area, straight, unstable in the SCS. The COC should also stipulate appropriate conditions and mechanisms that allow parties to enhance dialogue, minimize conflicts, disagreements, cooperate in specific areas, trust building. With this approach, the COC also needs to have scope, object and content appropriate, considering the difficulties and obstacles that emerged during the 2002 DOC negotiations.

Table 1: Comparison between the dispute over Paracel Islands and Spratly Islands between China and Vietnam.

TITLE	PARACEL ISLANDS	SPRATLY ISLANDS
TIME OF DISPUTE	> 200 years (1816)	< 80 years (1930)
CLAIMANT STATES	2 (+Taiwan)	5 (+Taiwan)
EXTERNAL FACTORS	US, Japan, Aus, India (Quad)	Quad
LAW APPLICATION	UNCLOS 1982 vs. U-shaped Line	UNCLOS 1982 vs. U-shaped Line
KEY ACTORS AND INTEREST	Claimant states, external factors (EEZ)	ASEAN, claimant states, external factors (EEZ)
NEGOTIATIONS	Bilateral > Multilateral	Multilateral (DOC, COC and other talks) > Bilateral

Source: 3 Vietnamese diplomatic newspapers: Nghiencuuquocte, Baothegioivietnam, DaisukyBienDong

7. Conclusion

In conclusion, Vietnam protests China with artificial islands in the SCS not because of lack of mutual agreements and benefits, it is China offended Vietnam’s sovereignty. However, Vietnam ignored the Paracels issue in the COC because of pressure from China to reach a provisional security agreement in the SCS. Although this move seems passive, it is invisible in the middle power’s strategy for major power in a century-long sovereignty dispute. The general decline in territorial conquest stems in part from increasing economic interdependence among countries in the world. Both Paracels and Spratlys are parts of the

disputes in the SCS. But these two disputes show differences in terms of how China claims its territorial sovereignty and how it deals with bilateral relations of the countries involved in the disputes. A sharp difference between these two islands is a geographical location. More countries involved in the disputes of the Spratly Islands while bilateral conflict is between Vietnam and China.

COC might also work as a crisis-management and prevention mechanism in the region. According to Ian Storey, senior fellow at the ISEAS-Yusof Ishak Institute, the COC is likely to include new provisions for the prevention and management of incidents at sea. If true, the COC could join the Code for Unplanned Encounters at Sea (CUES) in making the SCS safer for all seafarers. Another view from Hiep (2011) is that the key rationale for ASEAN pursuing the COC with China is its supposedly higher legal standing compared with the DOC, a document that reflects parties' political will rather than their legal commitments. ASEAN hopes that the more legally binding COC will encourage China to refrain from resorting to force or other coercive measures in resolving disputes with ASEAN claimant states over the SCS.

China and possibly other claimants do not compromise on this dispute, despite the current negotiating mechanisms. If bilateral talks (with Vietnam), China certainly does not compromise. It also uses military means to occupy the island, how to compromise. Regardless of bilateral negotiations with any country, China too. More than that, the bilateral negotiations have many limitations, multilateral issues such as the Spratly Islands, small countries like Vietnam need to use multilateralism to protect the environment, stabilize the region, limit the level China's expansionism, militarization, and existing multilateral mechanisms are not intended to address substantive issues of territorial sovereignty or delimitation. Vietnam's perspective: "Independence is self-reliant but multilateral diversification of relations, is a friend of all countries" also prefer multilateral negotiation.

Bibliography

- Chellaney, B. (2018). Who lost the South China Sea? *The New York Times*. Retrieved from <https://www.aspistrategist.org.au/who-lost-the-south-china-sea/>
- Christensen, T. J. (1962). Fostering Stability or Creating a Monster? The Rise of China and US Policy Towards East Asia. *International Security*, pp. 81-126. Retrieved from <https://www.princeton.edu/politics/about/file-repository/public/christensen-1.pdf>
- Dutton, P. (2011). Three dispute and three objectives: China and the South China Sea, by Peter Dutton. *nghiencuuquocte*. Retrieved from <http://nghiencuubiendong.vn/en/conferences-and-seminars-/second-international-workshop/592-592->
- Evan, M. (2016). Strategic Hedging and the Future of Asia-Pacific Stability. Retrieved from <http://www.inquiriesjournal.com/articles/1567/understanding-the-potential-for-conflict-in-the-south-china-sea>
- Hiep, L. T. (2011). Law and the South China Sea. *The Diplomat*. Retrieved from <https://thediplomat.com/2011/07/law-and-the-south-china-sea/>
- Ikenberry, G. J. (2013). The Rise of China, and the Future of the Liberal International order. Retrieved from https://www.chathamhouse.org/sites/default/files/field/field_document/20140507_Ris_eofChina.pdf
- Kaiman, J. (2014). China accuses Vietnam of ramming its ships in South China Sea. *The Guardian*. Retrieved from <https://www.theguardian.com/world/2014/may/08/china-accuses-vietnam-ships-south-china-sea-oil-rig>
- Lind, J. (2018). Life in China's Asia: What Regional Hegemony Would Look Like. *Foreign Affairs*. Retrieved from <https://www.foreignaffairs.com/articles/china/2018-02-13/life-chinas-asia>
- Mirski, S. (2015). The South China Sea Dispute: A Brief History. *Lawfare*. Retrieved from <https://www.lawfareblog.com/south-china-sea-dispute-brief-history>
- Nguyen, D. (2018). Hoàng Sa, Trường Sa và Biển Đông ở đâu trong giấc mộng bá quyền đại Hán của Trung Quốc? *Tiếng Dân*. Retrieved from <https://baotienngdan.com/2018/07/11/hoang-sa-truong-sa-va-bien-dong-o-dau-trong-giac-mong-ba-quyen-dai-han-cua-trung-quoc/>

- Reuters (2017). Retrieved from <https://news.zing.vn/coc-o-bien-dong-phai-co-tinh-rang-buoc-ve-phap-ly-post741995.html>
- Panda, A. (2017). China, ASEAN Come to Agreement on a Framework South China Sea Code of Conduct. *The Diplomat*. Retrieved from <https://thediplomat.com/2017/05/china-asean-come-to-agreement-on-a-framework-south-china-sea-code-of-conduct/>
- Panda, A., & Parameswaran, P. (2017). One Belt, One Road, One Hegemon? The Geopolitics of China's OBOR Initiative. *The Diplomat*. Retrieved from <https://thediplomat.com/2017/05/one-belt-one-road-one-hegemon-the-geopolitics-of-chinas-obor-initiative/>
- Perlez, J. (2012). Vietnam Law on Contested Islands Draws China's Ire. *The New York Times*. Retrieved from <https://www.nytimes.com/2012/06/22/world/asia/china-criticizes-vietnam-in-dispute-over-islands.html>
- Quy, D. D. (2013). *Tranh chấp Biển Đông: Luật pháp, Địa Chính trị và Hợp tác Quốc tế*. Hanoi: Institute of Foreign Affairs and Lawyers Association. Retrieved from <https://www.cfr.org/programs/center-preventive-action>
- Sempa, F. (2018). The South China Sea Disputes: Historical, Geopolitical and Legal Studies. *Asian Review of Books*. Retrieved from <http://asianreviewofbooks.com/content/the-south-china-sea-disputes-historical-geopolitical-and-legal-studies-edited-by-tsu-sung-hsieh/>
- Summit, t. A. (2002). *Tuyên bố về ứng xử giữa các bên tại Biển Đông giữa ASEAN – Trung Quốc [COC between ASEAN and China]*. *Nghiencuuquocte*. Retrieved from <http://www.aseansec.org/13163.htm>
- Thang, N. D. (2013). Cooperation in the South China Sea Dispute: from dispute management to ocean governance. *nghiencuubiendong*.
- Thao, N. H. (2010). Biển Đông - Ba giai đoạn, Bốn thách thức, Hai cách tiếp cận khu vực và Một niềm tin. [The South China Sea - Three Stages, Four Challenges, Two Regional Approaches and One Confidence]. *nghiencuuquocte*.
- Thao, N. H. (2015). The Truth About 'Aggression' in the South China Sea. *The Diplomat*. Retrieved from <https://thediplomat.com/2015/06/the-truth-about-aggression-in-the-south-china-sea/>
- Thayer, C. (2018). A Closer Look at the ASEAN-China Single Draft South China Sea Code of

Conduct. *The Diplomat*.

Truc, T. T. (2014). Biển Đông đang tồn tại những tranh chấp gì? [What disputes existed in the South China Sea?]. *Info.net*.

Vu, T. M., & Lan, N. D. (2016). This Is How to Stop China from Dominating the South China Sea. *The National Interest*. Retrieved from <https://nationalinterest.org/blog/the-buzz/how-stop-china-dominating-the-south-china-sea-15732>

The Evaluation of Japanese ODA to Vietnamese Farmers

Hideaki Shirakata

hideaki24@gmail.com

Abstract

This paper evaluates the impact of the agricultural aid program for Vietnamese farmers, specifically those living in the rural communities of Hanoi and Nam Dinh province. A grassroots Official Development Assistance (ODA) program was implemented by the Japan agricultural cooperative of Ibaraki to teach Japanese farming techniques and knowledge in these selected areas. The Vietnamese agricultural industry has received little foreign aid and a few studies have focused on the benefits of technology and knowledge transfer to local farmers. Study data included in-depth interviews with farmers, researchers, and agricultural extension staff from Chuc Son, a town in the Chuong My district, Hanoi and Yen Duong, a town in Y Yen District, Nam Dinh where the ODA program was implemented. The study findings indicate that understanding local needs before the project's implementation increased the satisfaction of the participants. The findings also highlight that education about Japanese agricultural practices and techniques had a positive impact on local agricultural development. An increase in safe vegetable and fruit production is expected from the newly introduced practices. Remaining challenges include inadequate marketing, distribution, and pricing as well as a lack of institutional structure. These challenges may reduce the farmer incentive to continue to apply the methods learned through foreign aid.

1. Introduction

This study examines the Japanese Agricultural Official Development Assistance (ODA) program for Vietnamese farmers and evaluates how the program benefits local farmers in the sector by interviewing Vietnamese farmers. In 2016, Japan disbursed \$16,819 million in foreign aid (\$10,380 million net) (MoFA, 2017a). Of this, the Socialist Republic of Vietnam (hereafter Vietnam) received the largest amount at \$1,583 million (\$1,166 million net). In fact, Tokyo has been the largest donor to Hanoi for many years. The importance of Vietnam in terms of geopolitics has increased due to the rising political competition between China and Japan to maintain a friendly political ally in Southeast Asia. Vietnam, as the largest recipient of Japanese foreign aid, is part of Japan's diplomatic strategy.

Despite of the substantial outflow of foreign aid to Vietnam, most ODA programs focus on large infrastructure projects such as the construction of dams, bridges, airports, harbors, power plants, hospitals, and so forth. The spending on economic infrastructure development accounts for more than 50% of the aid (MoFA, 2017b). Although Vietnam improved from a low-income country to lower middle-income country in 2010, the majority of Vietnamese citizens still have very low income. The Food and Agriculture Organization (FAO) of the United Nations reports that nearly 40% of the population still lives below the poverty level with rural villagers earning less than \$2 a day (FAO, 2018).

This study attempts to look at the Japanese ODA to the Vietnamese agricultural sector where the main beneficiaries are farmers. Agriculture is an important industry for Vietnam despite a decline in its workforce and its contribution to GDP. For this reason, this paper provides a detailed analysis of the ODA aid effectiveness for Vietnamese farmers by closely examining the ODA program. The agriculture ODA program included farmers, researchers and agricultural leaders on the outskirts of Hanoi and Nam Dinh Province between February 2015 to March 2017. The project was named the “Promotion of Agriculture in Suburban Areas around Hanoi city and Nam Dinh Province,” initiated by the Japan Agricultural Cooperative Ibaraki (JA Ibaraki) as one of the Grant Assistance for Grassroots Human Security Projects (GGP).

1.1. Research Objective

The overarching objective of the research is to evaluate Effectiveness of Japanese Agricultural ODA in Vietnam

1.2. Research Methodology

To better understand the Vietnamese farmers’ perception of the Japanese ODA and to evaluate the ODA project, a fieldwork survey was conducted in Vietnam, specifically Hanoi and Nam Dinh Province. In-depth interviews were the primary method of data collection. The necessary information obtained through 11 interviews became a critical foundation of overall research findings in this study. Moreover, secondary research utilizing existing pieces of literature, official statistics from related institutions was employed to further analyze and verify findings. The aid effectiveness is examined from recipients’ point of view rather than donors’ in this study. It is because donors tend to conclude that aid is effective as

long as the project delivery is completed. The process of delivery and the result of the projects as well as the benefit of locals are often ignored. Hence, to examine farmers' perception, such as local needs, costs and benefits, personal needs are looked into through interviews. Meanwhile, the evaluation of the project is also given based on the findings. Just because aid beneficiaries feel satisfied with the project, it does not mean that the aid project is worth continuing. The economic benefit of continuing the new practices is considered.

2. Ibaraki's development assistance to Vietnam

Ibaraki's contribution to Vietnamese agriculture dated back to 2014 when Ibaraki and Vietnam signed a memorandum on technological improvement and human resource development in the field of agriculture. As a part of the agreement, Ibaraki Prefecture outlined areas of cooperation, focusing on seven core themed areas, summarized in Table 2-1. JA Ibaraki was responsible for four and six, nurturing human capital by accepting trainees from Vietnam and dispatching specialist from Japan; whereas Ibaraki prefecture was in charge of the rest of areas on the list. To implement these, JA Ibaraki used Grant Assistance for Grassroots Human Security Projects (GGP) from JICA for funding. The scope of this paper is focused solely on the efforts of JA Ibaraki. The estimated budget that JICA provided to JA Ibaraki was some 46.2 million yen (US\$ 416,539) (JICA, 2015).

Table 2-1: Area of cooperation between Ibaraki and Vietnam

1	Application of the latest technology in agricultural products
2	Breeding improvement of Vietnamese Rice and Meat production
3	Mechanization
4	Nurture of agricultural engineer
5	Technical assistance on processing and preservation of products
6	Dispatch trainees from Vietnam to Japan
7	Development of agricultural cooperative

Source: Ibaraki Prefectural Government (2014).

2.1. JA Ibaraki's project: Ibaraki's GGP

JA Ibaraki's assistance to Vietnam touched two locations, the Chúc Sơn community in the Chuong My district in Hanoi and the Yên Dương Community in Ý Yên district in Nam Dinh.

Both communities received the same assistance from Ibaraki although in different time frames. Farmers in both areas received lectures and on-site training and were invited to Japan for a short training. Only a few households were selected for the pilot farming project in their fields.

As mentioned, the main responsibility of JA Ibaraki to educate farmers in terms of new knowledge, techniques, and practices through on-site and classroom training. The project aim was to nurture human resources (researchers, leaders, farmers) who could contribute to the development of agriculture in the target areas by studying the production and distribution techniques used in Ibaraki for agriculture in a suburban area, a type of agriculture that utilizes Ibaraki’s strengths. The full project scope is presented in Table 2.2.

Table 2.2: Scope of Project

1	Accepting agricultural trainees from Vietnam to Ibaraki -Conduct trainings for Vietnamese Agricultural Trainees
2	Dispatch Specialists from Japan to Vietnam -Conducting seminars targeting leading members of the Agricultural community -Conducting classroom and onsite training for Vietnamese Farmers -Demonstration of high quality and leafy vegetables production techniques on model farms in Hanoi and Nam Dinh -Confirming examples of the distribution of healthy and safe agricultural products and proposing for distribution system

Source: JICA (2015)

3. Findings

3.1. Gain from Participation

There are several reasons for farmers participating in the project. It is due to the fact that they want to learn something new, study a new approach, benefit from classes, or be given the free cost or other motives. Of all, learning the Japanese technology without cost burden accounts for the largest part of their incentive to participate in. Although farmers expressed that the acquisition of advanced technology is the main incentives, free participation cost is presumed to be the most important factor than anything else because

farmers can acquire advanced technology without any costs. Interviewees unveiled that the objective of the project met their expectation, which was to learn safe vegetable production. All participants unanimously agreed that JA Ibaraki’s practices and techniques were suitable for their farming and positive production results were expected. However, the validity of such remarks could be argued and should be examined, as participants may not have expressed honest opinions due an unwillingness to tell the truth. Such reluctance to express an honest opinion may come from a fear that ODA programs would end or benefits might be removed. Non-project participants could shed light on this aspect because they do not own any responsibility against the project, but they also showed a willingness to participate in the project due to better satisfaction of existing participants.

3.2. Growing demand for safe products and Pricing System

Ibaraki’s method of producing vegetables will have strengths in Vietnam because of Japanese branding as well as environmentally friendly standards with fewer pesticides and chemicals. Vietnamese consumers are aware of the quality of Japanese products, and the reputation of the products is high. Additionally, the awareness of safe and environmentally friendly products has currently gained attention in Vietnam because consumers are concerned with the quality and safety of products because of pesticide residue or other harmful chemicals used on products (World Bank, 2017). These factors are advantageous for farmers because Ibaraki’s practice would meet consumers demand, which result in better sales. Also, if products are certified with the Vietnam Good Agricultural Practice (VietGAP) whose standard is set by the Department of Agriculture and Rural Development, products will be recognized as safe and quality products and the retail price will be higher. For example, lettuce certified by VietGAP are sold at VND 40,00-100,000 (USD 1.7-4.2) per 1kg whereas the one without certification is sold at VND 10,000-15,000 (USD 0.4-0.6). (JETRO, 2015).

During the interviews, the majority of respondents felt that in the long run, JA Ibaraki’s method would benefit them in terms of sales; however, they also expressed concerns about the pricing mechanism in Vietnam. In the existing system, the price of agricultural products, whether they are produced using foreign techniques or conventional methods, remains the same; hence, unless this situation changes, farmers will not be incentivized to continue using new methods through foreign assistance as these foreign methods require

additional investments, resulting in higher operational costs. Cost is an important indicator of whether farmers will continue to use these new methods regardless of how beneficial they are. In essence, although a high level of satisfaction with the new technique would contribute to better vegetable productions in farming, in order to sell their products, further development of a marketing and pricing system is required.

3.3. Change of Mindset

Bringing innovation to Vietnamese agriculture could be possible if farmers change their mindsets. The most important factor to achieve a remarkable transformation in Vietnamese agriculture is the change of farmers mindset and make endeavor to change practice from the conventional to modern approach. It is, most probably, easy to transfer the foreign technology and practices to local farmers because while they work together with agricultural experts sooner or later they will get used to new practices; however, it is difficult to change their mindset since farmers are working in the sector for 20 or 30 years with the traditional method. Some farmers had a suspicion of foreign practice initially, but later new practice convinced them and had a positive impact on psychological mindset. The farmers expressed that through JA Ibaraki’s assistance, they were able to change their mindset towards agricultural work. The mind innovation could be seen as a type of innovation, which would bring a positive enlightenment. The implication was that farmers could produce strong quality vegetables and fruits if they correctly apply it to their farm. It should be noted that the objectives of agricultural aid would be achieved if farmers proactively change their mindsets and way of thinking after learning new practices. If not, aid recipients might return to old practices and the delivery of the project is to be failed.

4. Evaluation of the ODA Project

4.1. High Satisfaction

The delegation from Ibaraki made preliminary research on the site locations, farmers, local needs, and areas of cooperation. Detailed background studies before implementation of the program had enabled JA to provide to Vietnamese farmers with what farmers expected. As Williamson (2009) argued, the successful delivery of aid project involves coordination between donors and recipients. Importantly, obtaining crucial information such as who needs, in which locations, and how much budget is magnificently essential to achieve the aim of projects. This result may be explained by the fact that accurate information gathering

beforehand such as local and personal needs in a local context resulted in the farmers' tremendous satisfaction. Also, smooth management and implementation of the project could be attributable to overall performance. Moreover, knowledge gaps between donors and recipients are explained by Williamson. Lack of feedback and accountability to donor agencies have caused failure of aid projects. To put it simply, donors are not concerned with the results of projects nor do not require the maximization of profits unlike private companies. As the project was a small-scale and those ministries were not directly involved, it turned out to have been efficiently taken care of by both Ibaraki and JA.

4.2. Implementation cost of Ibaraki's practice

JA Ibaraki financed the majority of the ODA project; hence, the cost incurred by farmers was nothing. While project was in progress, farmers were not concerned with the additional production cost to their operations. The real issue would occur in the post-project period as farmers will be burdened with the costs to continue the Ibaraki's practice. It could be argued that the real value of the ODA project is put to the test after the financial support ended because if the participants do not continue the practices of the aid programs, the entire project could be said to be failed. Sustainable practice can be one of the pivotal aspects of foreign aid programs; otherwise, the project ends up with just giving money and being recognized as the charity activity.

The expense that farmers need to cover is mainly for agricultural row covering (Pass Lite) and Net House as shown below in Figure 4.1. This material was brought over by JA Ibaraki and nowadays they are available in domestic shops. The calculation result is shown in Table 4-1. The exchange rate is based on the average price in August 2018 (US \$1= VND23,291)

Figure 4.1: Pass Lite practiced and Agricultural Net House in Chúc Sơn farming fields



Source: Photographed by the Author in 2018

Table 4-1: Price and durability of Pass Lite and Net House

VND:1,000

Name	Pass Lite	Net House
Price per m ²	8.5 VND (US \$0.36)	100 VND (US \$4.29)
Durability	Half a year	3-4 years

Source: Author's compilation

In order to introduce Pass Lite and Net House in Vietnam, the cost farmers must pay is as below. The average size of farms in Chúc Sơn is 2,040 m² and 4,000 m² in Nam Dinh according to the interviews. As a result, the estimated additional cost in table 4-2 is the ones if farmers continue using Ibaraki's method.

Table 4-2: Total additional cost incurred to Farmers for Pass Lite and Net House

VND:1,000

Community	Average size of farmers /m ²	Price of Pass Lite / m ²	Price of Net House /m ²	Total cost for Pass Lite	Total cost for Net House
Chúc Sơn	2040	VND8.5 (US \$0.36)	VND100 (US \$4.29)	VND17,340 (US \$734)	VND204,000 (US \$8,752)
Yen Duong	4000	VND8.5 (US \$0.36)	VND100 (US \$4.29)	VND34,000 (US \$1440)	VND400,000 (US \$17,160)

Source: Author's compilation

These two estimations are based on farmers using Pass Lite and Net House to cover their entire fields. If they introduce the equipment partially to cover farm areas, the total cost will be, of course, lesser than this. Therefore, the estimated cost may not be completely accurate but roughly suggests how much additional cost farmers need to invest. It is, indeed, arguable whether farmers will use this for their entire farm; thus, it has an additional investment attached to continue applying this practice. According to the office of statistics of Vietnam (2018), the average income in agriculture, forestry, and fishing is VND4,556,000 (\$182) in preliminary 2016 assessment. Thus, although it is likely that farmers partially introduce and utilize what they have learned in Japan and through on-site training in Vietnam, it remains to be seen whether they will continue to use Pass Lite or net house on their farms.

4.3. Economic return to farmers

The economic return to farmers is presented to ascertain whether Ibaraki’s practice effectively works for farmers. In this calculation, the price of lettuce is used as an example to analyze the economic return for farmers and according to JETRO survey (2015), the price is sold at VND 10,000 (\$0.42) per kg. It is based on farmers in Chuc Son community sell their products to the market. For the sake of convenience, costs such as labor, fertilizer, distribution, and packaging are excluded. Also, in order to simplify the calculation, only four scenarios will be used (Table 4-3), and the calculation result is shown in table 4-4.

Table 4-3: Four scenarios

Scenario	Description (Ratio: Pass Lite and Net House)
A	No agricultural equipment is used (0:0)
B	Use both Pass Lite and Net House (50:50)
C	Use Pass Lite only (100:0)
D	Use Net House Only (0:100)

Source: Author’s compilation

Table 4-4: Additional cost, Expected revenue, and Earnings

VND: 1,000

	Scenario A	Scenario B	Scenario C	Scenario D
Additional cost ¹	0	VND 110,670 (\$4,743)	VND 17,340 (\$734)	VND 204,000 (\$8751)
Revenue ²	VND 40,000 (\$1,717)	VND 40,000 (\$1,717)	VND 40,000 (\$1,717)	VND 40,000 (\$1,717)
Yield ³	4,000 kg	4,000 kg	4,000 kg	4,000 kg
Price per kg	VND 10 (\$0.42)	VND 10 (\$0.42)	VND 10 (\$0.42)	VND 10 (\$0.42)
Earnings ⁴	+VND 40,000 (\$1,717)	-VND 70,670 (\$3,026)	+ VND 22,660 (\$983)	-VND 164,000 (\$7,034)

Source: Author's compilation

Scenario B and D are not practical as it causes financial loss to farmers. It discourages farmers to pursue these two scenarios. On the other hand, the feasibility of implementation of scenario C is high, despite its investment, farmers will be able to gain profits. If the price of the product remains unchanged, it is likely that farmers take either Scenario A or C, but Scenario A is the worst scenario because farmers will return to the old practice. What if the price of the product goes up as a result of quality improvement? Are there any differences in each practice? The next table shows the minimum price in order for scenario B and D to make it sustainable.

Table 4-5: Expected minimum price of product

VND: 1,000

	Scenario B	Scenario C	Scenario D
Additional cost	VND 110,670 (\$ 4,743)	VND 17,340 (\$ 734)	VND 204,000 (\$ 8,751)
Yield in Chuc Son	4,000 kg	4,000 kg	4,000 kg
Expected minimum price	VND 27.4 (\$ 1.18)	VND 4.3 (\$ 0.18)	VND 51 (\$ 2.18)

Source: Author's compilation

¹ Calculated based the cost presented in table 4-2

² Revenue=Yield x Price

³ Aonuma and Kobayashi (2017): Red river delta region has vegetables production of 2,000kg per 0.1

⁴ Earning = Revenue – Additional Cost

If the price of the product goes up to the point that farmers earn back the cost of investment, it is feasible that farmers maintain the practice. If not, the result is easily imagined; back to the old practice. Therefore, the success lies to the increase in the demand for products and raise consumers’ awareness of safety and healthy products. Promotion of educational activity will help consumers to increase awareness of safety products, and this might help to select Ibaraki-technique-products. If Vietnamese consumers become health-consciousness, it gives an excellent opportunity to sell and gains popularity among consumers. With the growing increase in the middle class, if farmers target at upper-middle class or upper-class, there will be great potential in the near future.

4.4. Additional cost or additional benefit

Introduction costs of new techniques may exceed farmers’ budget due to a relatively high price of materials and equipment in comparison with their income. Meanwhile, there will be a growing demand for their products in the domestic market. Hence, these factors concluded that new practice, especially, the use of Pass Lite and Net House, works effectively as long as the price of the product in the market is more than the price shown in table 4-5. In order to make it sustainable, the price of products must be high enough to cover the additional cost incurred; otherwise, farmers would continue Ibaraki’s practice as long as ODA activities last or the total profits they generate are greater than the cost incurred. If the profits are less than the costs, there is no sense in using the agricultural equipment. Sustainability of practice is key to achieving development, and the significance of aid program bears fruit if this is accomplished. A much stronger incentive for farmers is necessary, especially in terms of financial return.

Products branding and marketing strategy need to be improved in order to increase the awareness of products and sell their products well. Building consumers’ confidence in products is quite essential, and this could be possible since Japanese products are acknowledged as sage, secure, and healthy in Vietnamese Society (JETRO, 2017). Lastly, improvement in the pricing system contributes to the higher income of farmers. Farmers’ low income has been due to the fact that double or triple commission when products are sold to third parties because products are sold to brokers, wholesalers, and delivered to

end customers. Without reforms on these, despite introduction of new practice through ODA, the effectiveness of ODA to farmers would be limited.

5. Conclusion

The study evaluates the Japanese ODA program in Vietnam and examines the role of foreign aid to a lower income group such as farmers. Specifically, JA Ibaraki’s agricultural assistance was chosen as a case study and participating farmers in Hanoi and Nam Dinh Province were interviewed during the fieldwork. As the paper describes, farmers have benefitted substantially from the program by accumulating knowledge, learning a new practice, and changing farmer mindsets towards agriculture. The innovative approach that JA Ibaraki applied has nurtured farmer thinking. As discussed, the contribution of Japanese ODA in Vietnam is mostly in large infrastructure sector areas but there is some aid assistant at the grass-roots level to improve the agricultural situation. The evidence from this study suggests that this project contributes to farmers as long as profits they produce are greater than investment costs. If not, it is highly likely that farmers enjoy the free participation and equipment provided by Japan, then cease the practice after the project is ended. The economic benefits are the important indicator for farmers whether they pursue what they learned.

Although the current study is based on a small sample of participants with reference to one case study, the findings suggest that agricultural development in line with the increase in farmers income could be possible if an appropriate distribution system was established in Vietnam. In addition, the current Vietnamese government’s endeavor to double farmers income is a good sign for those working in the industry. The empirical findings through fieldwork highlight the existing challenges that farmers face at this juncture, which have largely resulted from the weak domestic system. Considering the farmers’ eagerness to learn foreign techniques, the government needs to tackle the improvement in the fundamental system in the agricultural industry. Establishment of the adequate system will ease the situation where farmers are in at the disadvantaged position in the society.

These findings from the research, therefore, provide the following insights for future research. Given the importance of agricultural development in developing countries, the

research suggests that policymakers should tackle on reforms on distribution system to improve on farmers' incentives for the continuation of foreign adopted practices and increase sales of products for better revenue. There is a need for Japan to contribute to the development of the system through ODA since JA system could be a useful model for Vietnamese farmers. Improved agri-business environment is essential to allow farmers to pursue production of quality products, which in the end, lead to better living standard.

Bibliography

- Aonuma, R., & Kobayashi, M. (2017). The situation of vegetable production, distribution and export in Vietnam. Retrieved from <https://www.alic.go.jp/content/000143865.pdf#search=%27%E5%8D%98%E5%8F%8E+%E3%83%99%E3%83%88%E3%83%8A%E3%83%A0+%E9%87%8E%E8%8F%9C%27>
- Ibaraki Prefecture. (2014). Possible Ibaraki's contribution to development of GFVC in Vietnam at Global Food Value Chain ASEAN sectional meeting. Retrieved from http://www.maff.go.jp/j/kokusai/kokkyo/food_value_chain/pdf/pdf/siryou2_7.pdf#search=%27%E3%83%99%E3%83%88%E3%83%8A%E3%83%A0+%E8%8C%A8%E5%9F%8E+%E8%BE%B2%E6%A5%AD%27.
- Japan International Cooperation Agency. (2015). Activities in Viet Nam, Agriculture / Rural development. Retrieved from https://www.jica.go.jp/vietnam/english/activities/c8h0vm00004cfemz-att/GC_60.pdf
- Japan External Trade Organization. (2015). Research on high-value-added vegetables and distribution system in Vietnam. Retrieved from <https://www.jetro.go.jp/world/reports/2015/02/f02aa2a7f34d0b98.html>
- Japan External Trade Organization. (2017). Research on consumers' attitude towards Japanese products in Vietnam. Retrieved from <https://www.jetro.go.jp/world/reports/2017/02/5950207b8dcccdf.html>
- Ministry of Foreign Affairs of Japan (2017a) Japan's ODA Disbursements. Retrieved from <http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/jisseki.html>.
- Ministry of Foreign Affairs of Japan. (2017b). White Paper on Development Cooperation 2016, Japan's International Cooperation. Retrieved from <http://www.mofa.go.jp/files/000286342.pdf>

Success of Female Entrepreneurship in the Male Dominated Economy of Bhutan

Palden

tsheringpalden91@gmail.com

Abstract

Bhutan is one of the most isolated countries in the world till date which has gone through a tremendous transformation in terms of development. Despite the rapid socio- economic changes, Bhutan has managed to preserve its pristine environment and rich cultural heritage. This has set an example to the rest of the world. One such aspect of changes includes the roles of Bhutanese Women, to which it may seem to be a patriarchal to the outsiders. Bhutanese women are no lesser than men when it comes to working hard and being financially and socially independent for themselves and their families. They have always been an integral part of one's family and the society where they inherit the family's duties and responsibilities. Unfortunately, this is hardly recognized in the small society like Bhutan where men still dominate the formal sectors and high paid jobs. With the social and cultural barriers faced by women in the society, the contributions they make towards social and economic development is hardly rewarded. The fact that Bhutanese population is represented by more females makes it even more vulnerable in many ways. These female high illiteracy rate, increase the number of early marriages and unemployment issues. The policies at national level are mostly planned and executed as gender neutral, which lacks exclusive policies for women and girls. The concept of entrepreneurship has been gaining momentum among many young women in recent years. Despite the initiatives they take in such activities, there are many challenges they come across such as the societal pressure and high domination from other enterprises. Therefore, it is important to explore more of these challenges related to women – owned businesses in the country and how they overcome those challenges (motivating factors). That is the core intention to carry out this study on female entrepreneurship in the textile sector industry in Bhutan. The concept of such studies is still a new concept in Bhutan except for few scholars and researchers who did touch upon some of the issues. But the core areas of study in female entrepreneurship are not given much emphasis in the Bhutanese business context. Therefore, this study highlights the sole purpose of exploring and understanding the situation of gender inequality and female entrepreneurship in the Bhutanese society. The research is based on the qualitative research method by conducting structured and semi structured interview. This has allowed the author to gather in depth stories and information from the female entrepreneurs which makes it easier to serve the set objectives for the study.

1. Introduction

In the past, Bhutanese women can hardly be seen doing business as it is a domain for men and women lacked social freedom to do even if they aspire to. But things have changed now, as society has become more acceptances to women's participation in the public and economic activities. Today women who were once considered as care takers of the homes and family are now able to take up multiple responsibilities. They not only become a responsible figure to manage the household and family but also hold key positions as business owners and independent individuals. With the formation of the Entrepreneurship Promotion Centre (EPC) in 1991, significant number of women has ventured into the micro and small enterprises. This has narrowed down the perception between what roles, as women should play in the society, which is a breakthrough for many aspiring women entrepreneurs. Some women have started businesses to take up the opportunity as they could finally do something of their own and others took it out of necessity.

However, according to the report from the Department of Cottage and Small Industries (DCSI) in 2016, the percentage of women owned SMEs are only 35.53 percent compared to men owned and operated SMEs which is 63 percent. With 35.53 percent of the total SMEs owned and operated by women in Bhutan is a considerable number for a small market size but what is more concerning is that those enterprises are mostly at micro level. A study on female entrepreneurship is an important part to be explored as it has been neglected in the most academic fields (Archer). It is important that we learn to recognize their contributions and impact they have on the overall growth of our economy. It is equally important to explore the female entrepreneurs conducting business in the textile sector. The sector, which has gain momentum among female, owned – enterprises in Bhutan.

1.1 Problem Statement

While so much has been said regarding the importance of micro and small enterprises owned and lead by Bhutanese women for many reasons, some are engaged in the business due to high rate of women unemployment, increase in divorce rates, to provide education for their children, support old age parents and to have a balanced regional development in the country among men and women. But despite the trend of growing number of female entrepreneurs, the gender gap remains wide in the market and female entrepreneurs are

struggling with multiple obstacles. The number of identical subsistence – based women-owned micro and small enterprises are on the rise but with very less development in terms of growth and expansion. As larger firms are owned and managed by men entrepreneurs and only a few numbers of women can overcome the barriers and transform their enterprises to larger scale enterprises. These barriers become hinderances to most female entrepreneurs who own micro and small enterprises which could otherwise solve majority of the unemployment problem among women if the policy implementation is more gender streamered than gender neutral.

1.2 Objective of the Research

This study aims to address the growth of female entrepreneurs in the Bhutanese market especially in the textile sector, to explore the primary factors and motivations for entering the business and to review the main obstacles and barriers while conducting the business. The second aim of the study is to look at the situation of gender inequality in the Bhutanese Economy, which hinders the female entrepreneurs conducting business mostly in micro and small enterprises. Finally, the paper will make recommendations to policy – makers to encourage and support the female – based enterprises in the country.

2. Literature Review

The Growth of Female Entrepreneurship is perceived as a measure of success and key towards job creation, wealth and development in terms of social and economic aspects in every country (Bosma, 2000). Women entrepreneurship like any other economic activities plays a substantial role and can contribute to the growth of national economy if they can actively participate in the entrepreneurial activities and gets the opportunity do so. Meanwhile exploring the topic of Female Entrepreneurs in case of Bhutan, there is a lack of data from the local sources. Therefore, the author must rely mostly on the secondary sources to explore more on this study. As Shane (2003) has pointed out that researchers and academia often face the lack coherence thus cannot make the systematic effort to bring the fragmented pieces of this area together as there is no theory that focuses centrally on female entrepreneurship. In the studies conducted on Entrepreneurship, most researchers have managed to look at only one aspect of the entrepreneurial activity which includes either the external factors or the individual characteristics of the female entrepreneurs which is often very hard to proof the objective of the study (Gartner, 1990).

This is mainly proved unsuccessful because of the nature of entrepreneurial activities that takes place within a specific situation and not just by itself (Shane, 2003). It is often difficult to identify and understand the challenges faced by the female entrepreneurs which is purely based on the external factors, (external factors meaning the situations within individual enterprises functions). In line with this (Carroll, 1987) have the same view that it is impossible to understand the concept just by exploring only one aspect, either the individual entrepreneur’s characteristics and their actions on one side and the external factors on the other side. Therefore, merging the two factors can give a much more comprehensive and clear idea in understanding the key concept of the study of female entrepreneurship (Shane, 2003). Beside Shane’s proposition of studying both aspects of the areas that is very important to understand the key areas of the study, Antony Giddens (1984), has come up with a theory called the “Structuration Theory” which serves the purpose to understand the obstacles and motivating factors of the female entrepreneurs in many developing economies. This theory, which is like that of Shane’s, also focuses on the obstacles in two different aspects. But in case of Giddens he mainly focuses on Structure and Agency and the duality between the two. The meaning of “structure” in this case maybe is referred to the environment where women live and run their businesses. These include socio-cultural and religious environment, business infrastructure, policies and regulations and the environmental variables, which can influence the entrepreneurial activities.

The other aspect of the Structuration Theory is the Agency – Level obstacles according to Antony Giddens. This is more concerned with the characteristics that comes from the individuals such as family, education level, personal goals and interests, sense of achievement, and their actions in decision making which includes level of hard work, business skills, motivations and sense of achieving business goals. These factors can influence the way they make the business decisions in varying way depending up on the style of operation and the business outcomes (Giddens, 1984). So, the best approach to understand the concept in this particular area is to explore both the “structure” and “agency” or “environment – individual obstacles. Based on the propositions by Shane’s conceptual framework and Giddens’s structuration theory, this research will look at both the Environment - level obstacles and individual women entrepreneurs and the associated business obstacles.

Studies conducted in other developing countries has found that some of the specific factors that hinders female entrepreneurs includes access to key resources and regulatory frameworks, socio – cultural environment and limited mobility which is common in the case of females in most of the developing countries. This constraint becomes the most common hinderance to develop entrepreneurial activities among females (environment or situational factors). The study also shows that women compared to men has low level of required business skills, educational background and trainings including in business and technical fields (individual factors) (Stevenson, 2005). Robb and Coleman (2009, has used the data from the Kauffman Firm Survey which explores based on gender which has revealed that the startup capital of the new start up business performances in terms of assets, revenue, income, employment and business survival. Their key findings show that women in the startup enterprises have lower level of financial capital and return than men. Women in most cases tend to take up micro and small size business with low capital investment because they can run the business from home and has low – risk compared to setting up formal and high capital enterprises like men entrepreneurs.

The studies have shown that women – owned businesses have an estimated annual financing gap of \$290 billion to \$360 billion. Similarly, women in many developing countries have lower formal bank account penetration compared to men which are most common in poor economies (Global Financial Inclusion Index WB, 2017). The International Finance Corporation (IFC) has also conducted studies to identify challenges faced by female entrepreneurs. The obstacles include lack of innovation, lack of managerial training and experience, inadequate education and skills, problems in adapting to changing technology, poor infrastructure, lack of access to credit. (Shapero, 1982), has also added that due to low social mobility and social integration for females as hinderances to growth of their businesses. The combination of both Shane and Gidden’s theory of Structure and Agency becomes more relatable of hindering females conducting business in the developing countries where gender gap is visible in the business environment. In most economies, where women are more likely to take less risk whereas men are high-risk taker with less social roles more acceptance in the society (Goffee, 1985).

3. Methodology

The Research design used for the study is explorative and descriptive method with combination of both primary and secondary data. This adoption of multi-sourced data helps the author to enhance and produce significant results on the objectives as well as for the recommendations. It is done by obtaining first-hand information through face-to-face interviews with the targeted female participants from the textile sector business in Bhutan. Their opinions have been gathered to identify the key obstacles as well as the motivations of conducting business in the Bhutanese market. It also aimed at finding out the opportunities to conduct business and the kind of environment they perceive while they take this journey. The other session of the interview was conducted with the representatives of Female Entrepreneurship in the Non-Governmental Organizations as they represent as a third party for the entrepreneurs and the Government who works towards promoting entrepreneurial activities.

3.1 Data Collection

To get the first-hand information from the participants for the study, it was the best option for the researcher to opt for the qualitative method through interviews. This method is suitable to capture the voice of the female entrepreneurs themselves without putting someone in the middle. Keeping in mind that the previous studies conducted on women entrepreneurship in the textile sectors have used quantitative method, it sometimes creates bias to get raw and first-hand information from the participants themselves. Whereas from the qualitative interview method it has less bias and helps the researcher to get the individual's opinion which they experience in their business environment. The interview was conducted among three different groups based on the set objectives for the study. The first set of questions was designed for the female entrepreneurs, followed by the Non-Government Organizations and lastly for the Government stallholders.

3.2 Data Analysis

The data collected from the interview will be transcribed and organized for the ease of interpretation. After that, the data collected from the participants will be grouped under the same themes according to the objectives framed in the research. The key findings will be interpreted and analyzed accordingly. The analysis will present the findings from the interviews about the characteristics of the female entrepreneurs, the motivations behind

their businesses and the key challenges they face which becomes an obstacle for female entrepreneurs amongst the male entrepreneur in the market. The general situation will be explained by following the propositions by (Shane, 2003) and Structuration Theory by (Giddens, 1984) to examine both the environmental – level and individual - level obstacles to get the general picture of the female entrepreneurship challenges in Bhutanese society. This section will also include an analysis on the gender in equality among Bhutanese females conducting business in the male dominated society. With reference to Institutional and Structuration Theory by (Scott, 2004) and (Giddens A., 1984), it aims to explain the concept of women’s place in the Bhutanese and how certain expectations with the societal and cultural norms that holds back women’s ability in the society to participate in roles that is being entitled only to men.

4. Findings and Analysis

4.1. Motivational Factors among the Female Entrepreneurs

4.1.1. Income generation

Coughlin and Thomas (2002) have argued that most women who are in the business are due to the need to generate income. They have the opinion that if these women have the equal opportunities to earn by working in certain jobs like men, they do not feel necessary to have the motivation to start the business. They have further done researches based on the level of economy, which are economic motivation in developed countries, economic motivations in developing countries and economic motivations of countries in transition in different parts of the world. On the other hand, some women enter the business to achieve that the government fails to provide to women themselves. For example, in the transition countries the lack of economic options drives more women to enter business and become entrepreneurs. In Hungary, total of 41.1 percent of women accounts for entrepreneurs in different types of businesses which are established after 1990 (Coughlin, 2002). In the case of most developing economies, most women are pushed to pursue entrepreneurship due to high rate of poverty and lack of options for sustaining in the society.

4.1.2. Pride in achievement and need for change

The motivating factors such as need for achievement of self-independence; personal growth and self- determination were found to be high determinants for women engaged in the business. Although, success in business is often measured by the margin in terms of

profit, most women entrepreneurs feel that need for achievement and pride plays an important part for them. Need for change as a motivating factor among most female entrepreneurs means to make changes by focusing more on the perspective clients or customers, in a more ethical way and to make positive changes in their communities and towards more social aspirations unlike men. So, if their system fails to provide these goals, they tend to go for entrepreneurship to achieve these goals.

4.1.3. Autonomy and independence

A study conducted by (Moore, 1997) found that these factors are among the most important ones as to why women decide to start their own business. A study done on a group of women at their managerial level who left their jobs in the firm has decided to start their own business so that they can have Autonomy and Independence in their lives. With the responsibilities to work and take care of their family at the same time, women are likely to start their own business to enjoy flexibility and freedom to fulfill these social responsibilities (Simonin, 2006). According to authors such as (Scott, 2001), it is still very much valid that social roles that female must carry out despite their roles or positions in the society. Other studies also point out that women who must play motherhood roles are more likely to take up entrepreneurship as an alternative to adjust their family and career roles. Noble (1996) argues that for men, they become entrepreneurs to achieve business goals but for females it is more like a balancing tool to adjust their time between family and their career goals.

4.1.4. Frustration and boredom with the present job

According to the study carried out by Cromie and Hayes (1991), this is one of the most highly motivating factors that drive more women into entrepreneurship. As the types of businesses that they embark gives them ample of spaces to use their creativity and innovation, it also gives them more opportunity to think out of the box which is more exciting than doing a regular job.

4.1.5. Dissatisfaction with the present job and working environment

More women believe the while they embark on their own business ventures, they can improve and expand their thought processes which can expand new ideas, innovate new dimension towards product development and services. They are driven by the thought

that they can do better than their current job. Another factor that pushes more females into entrepreneurship is due to the unfriendly working environment they often experience in big firms and places where they are previously employed. So, they start their own business to be in a better environment to work and change the situation (Scott, 2001).

4.2. Importance of Textile Industry in Bhutan

The hand-woven textile sector in Bhutan is one of the most important pillars among the cultural industry in the country (Joseph Lo). It represents both the traditional and contemporary form of artistic talents of the weavers across the country. Cultural Industry is known for its common creativity, cultural knowledge and intellectual property to produce the products and services. Bhutan is often known for its textile as being the last major Art in Asia to gain recognition in the west (Diana K. Myers). This products and services have social and cultural meaning to it. It has been identified as one of the most significant part of the ‘cultural industry’ by the UNESCO during its Symposium in 2015, from there the term was adopted and identified as a similar economic undertaking in Asia.

Cultural Industry covers a wide range of industries including publishing and graphics, film making, fashion, architecture, oral traditions, multi – media productions and crafts. But within the Bhutanese context, hand-woven textile industry plays a significant role in the crafts category. Other categories include traditional medicine and wellness and religious paraphernalia. It was recorded that weavers across the country has generated an estimated income of US\$2.2 million. This has been generated from selling the traditional products made from the local raw materials. The art of weaving is an important source of income for many rural women especially in the eastern part of Bhutan. It is a substantial form of income generation for these women in their communities. It helps in reduction of unemployment and rural urban migration as they can sustain themselves and their families. It is through the rich textiles that can preserve the hand- weaving skills and other cultural factors, which are an important economic asset.

Therefore, it is important to appreciate and understand the structure of the cultural industry and examine the importance of their roles in the Bhutanese context. Textile Industry is one of the industries, which must be explored and understood beyond its role apart from serving as a National Dress for the Bhutanese. What the reader must understand

is that it also represents an artistic expression of an individual and a community in the Bhutanese society. In almost every Bhutanese home, there is a connection of a weaver and the weaving which is the most fascinating to see for most people visiting the homes in Bhutan (Diana Myers).

4.3 Textile Sector Industry in Bhutan

The hand – weaving skills and knowledge in Bhutan can be attributed from the country’s mountains and geographical landscape where the remote villages can hardly communicate in the past. Due to the isolation, many of the necessary commodities had to be produced and made locally including clothes. Therefore, weave has developed as a basic skill to produce clothing in many of the widespread villages since many decades ago. Most of the rural women especially in the eastern part of Bhutan were known for their artistic skills to weave some of the most delicate patterns. Although, with modernization Bhutan had the choice to abandon this cultural skill as it was no longer relevant in the contemporary world, the leaders choose not to neglect and instead preserve and promote it for the future generations. The government has officially listed weaving as one of the 13 arts and crafts of Bhutan, which is also known as “Zorig – Chusum” in the Bhutanese language. There was a mandate to preserve and make it recognized it as an important part of the Bhutanese culture.

The cultural resources of the textile in Bhutan permeate all facets of Bhutanese life and are often described as the “last surviving cloth – based culture in the world. Which also means it has an important significance in both the sacred and secular realms in the Bhutanese context (Joseph Lo). In context to this, all Bhutanese must dress appropriately that is suitable to certain occasions and events and also according to one’s position in the society. The high cultural value in Bhutan is a condition, which is deeply in, rooted from the past generations through the conduct of “Drilam Namzha” It mean an individual’s code of conduct in terms of dressing appropriately for that occasion.

However, there are many elements included in the code of conducts, which includes the national dress. It is mandatory for all Bhutanese to wear it for every formal occasion and in everyday work place with some exceptions in some work places. Bhutanese Textile is also supported by the Royal patronage through Her Majesty Queen Mother Sangay Choden

Wangchk. Her contribution has made Bhutanese Textiles visible both at the local and international platforms. The textile business is a huge source of income in the form of weaving, using the quality fiber, dyes and looms which are made in Bhutan. About 80 percent of the Bhutanese women contribute to the family’s income by weaving (Diana K. Myers). Apart from the domestic consumption including by men and women, the high-quality fiber material clothing is also on high demand from the foreign buyers. The fusion of contemporary and global fashion trends, which is brought into the Bhutanese textiles, reflects a more “authentic” cultural expression rather than just sticking within historically – grounded genre (Joseph Lo).

5. Success Factors among the female entrepreneurs in the textile sector

5.1. Freedom and flexibility to conduct the business

The participants revealed during the interview that they manage their own businesses alone because they have the sense of ownership without having to ask anyone for taking decisions. While the primary goal is to earn a living and being financial independent, there are others who decided to take up the business in order to work on their own. One of the participants said during the interview, she left her work at the bank to become a designer and try her hand on fashion even though she didn’t have any formal training. Few of the participants said that if they have the freedom to take independent decisions in their own line of work, she feels empowered and doesn’t have to rely on her husband for everything. Female Entrepreneurs in the textile believes that it is the right platform for them but at some point, they also feel like more opportunities must be explored to be a unique designer. The participants feel like they have social recognition if they can create and showcase it to the targeted customers in the market. Social recognition can be barely seen in the Bhutanese society especially for women in other nature of businesses, which are male dominated. Today more female designers are being recognized in the market and they make their own names in the country as well as abroad. According to the participants, they feel that networking is very important for them to be able to get recognition. To network in terms of marketing, designing and innovation, branding and use of technology with female entrepreneurs from other regions.

5.2. Individual interest towards entrepreneurial activities

During the interview, the participants responded that every individual has different set of interest and goals while setting up a business even of the same nature. For example, some of them focus on using local dyes and yarns to make women clothing and appraisals while others run textile related retail enterprises including tailoring. What makes their product unique is that they use their own creative designs and elements to that piece. For female designers in the textile sector, they must work closely with local weavers in order to have avail good quality fabrics. Participants said that in order to compete and make sure that their products are sold, they should be able to high motivation to learn and keep working on designs even if it doesn't turn out the way they want. One designer mentioned that at the beginning, she was not sure if people will like her designs, but later as more people came to know about her work, she didn't have to struggle much to attract customers.

5.3. Support from family members and social circles

Studies conducted by Brindley (2005) cited that support from family members, close friends and well-wishers plays a significant role in lifting the determination and motivating them to be successful in the business. Furthermore, family support also contributes significantly towards the success of female entrepreneurs. Without the support of the support of the spouse or other family members, it would be difficult for the women- business owners to manage and run the business for long hours. The participants during the interview revealed that their family members were their greatest support since the start-up phase of their business. Some participants are married and have school going kids and they said that it's nice to do something and earn some extra income to support the family. That way both can help to run the family.

5.4 Effective social network

Effective social network has been identified as one of the top success factors contributing towards their success. It adds to other success factors and helps them building cooperation with others who possibly has the same ideas and problems that they have been through in the business. For example, establishing networks with the community weavers where they meet and discuss about the prospects for weavers at the local and community levels. Female entrepreneurs feel that through such initiatives weaving communities can get the platform to use more innovative methods of weaving techniques, which can be useful for

both the weavers and entrepreneurs themselves. For that reason, they organize weavers to undergo trainings on the method of dying and mixing colors to the fabric pieces. Collaboration and networking with the village community weavers is one of the initiatives that few of the designers have undertaken in recent years but they cited that lack of finance and skilled trainers are found to be some of the impediments while carrying out such programs.

6. Conclusion and Recommendations

The aim of this study is to explore on the concept of female entrepreneurship in the textile sector in Bhutan. Upon the completion of the paper, the author aims to understand the overall scenario of women conducting businesses in the textile sector. This has been done by analyzing the characteristics of female entrepreneurs, the key challenges faced by the female – owned businesses in the textile sector and how they overcome the barriers in the male dominated market. The study had further explored the key success factors, which contribute, to the success of female entrepreneurs. Since the study has investigated the challenges and barriers among the female entrepreneurs conducting business in the textile sector, the author can conclude that women – owned businesses are on the rise in the textile sector and more women are taking up entrepreneurship as an alternative way for survival but there are various obstacles that hinders them in order to sustain their business. In addition to that in adequate government intervention for women – inclusive policies at the national level hampers them run their businesses in a conducive environment.

6.1 Recommendations

6.1.1 Micro-financing for women – owned micro businesses.

As lack of financial is cited as one of the top challenges among the female entrepreneurs, the most important step is to promote more easy access to micro- financing mechanism inclusively for female- owned businesses in the country. At the current situation, the most difficult part of avail any business loan has to fulfill the co – lateral requirements. This requirement goes beyond the conventional approach where a woman can avail business loans for her business. So, it is important that the financial institutions should make collateral free schemes with low interest, which can be paid for a long term. In addition to that, the female entrepreneurs cited complex loan procedures as one of the reasons why they decided not to apply for loans. Therefore, this matter can be solved by making the

procedures simpler or provide assistances while applying for the loan. Based on the secondary data sources, non – performing loans dominates the loan portfolio in the country irrespective of the reduction in the interest brought by the new base rate policy.

6.1.2 Make business premises more accessible

As listed in the challenges faced by female entrepreneurs as per the interview findings, access to a more suitable market spaces can really help them to conduct their businesses in a safely. They do not have to move from place to place in order to find appropriate locations. As revealed by the participants, overcrowded market places with lack of basic facilities such a water and toilet make it very difficult for them to run the business on a everyday basis. It is important that that the government must into ways to collaborate with other private stakeholders and build market facilities where by they can run the business paying a minimal amount of rental charges. This issue of not being able to access a business premises are faced by majority of the female entrepreneurs in the textile sector and they often must use multiple locations for producing and marketing their products. Even though their business doesn't require massive space to run the business, but there is a need for suitable locations with without having to face obstacles for availing basic facilities.

6.1.3 Promoting Entrepreneurship Education and Trainings

The role of promoting entrepreneurial curriculum in schools and colleges can help in developing interest and learning about taking up entrepreneurship from young age. The curriculum can be made inclusive in subjects including commerce and economics where teachers can teach about importance of taking up entrepreneurship a career choice for the students. There are no institutions that provide or teach youths on the culture of entrepreneurship as an alternative to other jobs in the market. Even though, youths taking interest in business is on the rise, there is no formal trainings or subjects taught in schools and colleges in the country. The curriculum doesn't have to be necessarily for girls, but it can include certain models where it can provide the platform for the youths to develop interests from the young age. This could help in preparing them to explore their ideas on business plans and necessary skills required in terms of management, innovation, marketing and logistics.

6.1.4 Promotion of women entrepreneur's Networks

The qualitative findings reveal that building network plays an important role for them to be successful in their business. Even though the women- owned businesses in the textile sector has less business support schemes from the government and non- government agencies, there are still more scope for them to connect and become members in the future. The participants during the interview shared their positive gains from being a member and having access to some of the agencies. This is because they can participate in the activities and keep an update on the business information. From the government side, the initiative such as the Government to Citizen (G2C) has not been much beneficial to the women entrepreneurs who are in the marginal businesses. 6.2.1.2. Therefore, it calls for more advocacy programmes and include women voices in order to serve as a reliable bridge between the business firms and the government. Another initiative that these networks can be provided by collaborating with media houses to disseminate information regarding business activities, trainings and meetings. Building networks with other co – female entrepreneurs both in the country and outside were also found to be important while conducting their business.

Bibliography

- Ali, R. S. (2016). Feminist Theory and its influence on the female Entrepreneurs' growth intentions. (Research Paper), University of Leipzig, Germany Retrieved from
- Bandem, J. D. A. k. a. d. M. Women Entrepreneurs Conducting Business in Southeast Asia Perceptions, Barriers and Policy Options. Corporate. (2014). Bhutan Gains Ground on
- Dema, T. (2017). Women in Bhutan, the Gender Discussion, (December14). <http://drukjournal.t/towards-a-sustainable-development/>
- Dhaliwal, S. (2010). Asian Female Entrepreneurs and Women in Business — an Exploratory Study. 1(2).
- Gender Equality but Challenges Remain in Key Areas. Retrieved 13.10.2018, from Asian Development Bank.
- Giddens, A. (1971). In Capitalism and Modern Social Theory: An Analysis of the Writings of Marx, Durkheim and Max Weber. (pp. 248-254).
- Madhu, R. (2018). Bhutanese Women: Towards Gender Parity. 18.
- Lakhimi Jogendranath Chutia¹, A. B. Rural women weavers of Assam: Artistic skills and entrepreneurial issues. (Researcher Scholars), Tezpur University, Assam, India.
- National Commission for Women and Children (Country report). (2004). Retrieved 13.09.2018, from National Commission for Women and Children <http://evaw-global-database.unwomen.org/fr/countries/asia/bhutan/2004/national-commission-for-women-and-children>
- Report on Women's Entrepreneurship and Access to Finance Launched. (2017). (November 17).
- Vallilere, D. (2014). Cultures, Values and Entrepreneurial Motivation in Bhutan *Journal of Enterprising Communities: People and Places in the Economy*, 8(2), 126 - 146.

Community Based Tourism in Creating Impacts for Rural Communities: A Case Study Nglanggeran Tourist Village in Yogyakarta, Indonesia

Irwita Erlangga

ri.erlangga@gmail.com

Abstract

This paper aims to provide an explanation on how the process of creating contributions to the community in the community-based tourism model in Nglanggeran. In recent years, the Indonesian Government has developed the potential of local resources through tourist villages. Before the government used this strategy, the Nglanggeran tourism village had been formed and driven by the community. This tourism village developed and began to show its existence as one of the best community-based tourism villages. The CIPP evaluation model is used to assess the process of achieving community-based tourism goals. Therefore, information extraction is carried out through in-depth interviews with stakeholders involved, including village communities, government, companies and academics. Furthermore, the results of the analysis show that tourism activities are cross-sectoral activities and many stakeholders are involved. Limited capital and human resources are a weakness of the community-based tourism committee. These stakeholders are present to complement the role of community-based tourism committees to be able to encourage community empowerment. On the other hand, a series of ex-ante policies from the central government have no effect on the management of the Nglanggeran tourist village. Some of these policies seem to strengthen the legality of tourism activities managed by the community.

1. Introduction

Several studies related to community-based tourism (CBT) discuss about measuring success (Goodwin & Santili, 2009; Kibicho, 2008); contribution to development (Sandmeyer, 2005; Blackstock, 2005; Lapeyre, 2010; Zapata *et al*, 2011; López-Guzmán, Sánchez-Cañizares, & Pavón, 2011); entrepreneurship (Sebele, 2010; Sánchez & Andersen, 2015). Besides, assessment of success tends to be subjective and casuistic depending on several factors that are unique to a particular situation (Okazaki, 2008; Goodwin & Santili, 2009). Every tourist village has a certain situation where the influencing factors are difficult to equate

with other tourist villages. These variations in situations and factors clearly have consequences in standardizing the assessment of the success of CBT.

Hence, Tosun (2000) suggest to further examine the role of external actors and the development of participatory tourism approach strategies in developing countries. In addition, Tosun (2005) also propose to to analyze how decision making can be achieved through developing community participation. Besides, Tolkach and King (2015) advocate for further study of the networking process by CBT entrepreneurs with other stakeholders in order to generate benefit for community. Some of the recommendations above show that there is still a gap between literature and practice. Specifically regarding power relations and participation of stakeholders in collaboration scheme. Therefore this study emphasizes the empowerment process to create benefits for the communities in developing countries.

Whilst, some scholars (Arieta, 2010; Purbasari & Asnawi, 2014; Harun, 2014; Lestari, Armawi & Muhamad, 2016) contend that CBT model have adopted by few tourist villages in Indonesia. Based on those studies, there is one unique case that is quite interesting to be studied further namely Nglanggeran tourist village. This tourist village was established before the government issued a policy related to the development of tourism potential through community empowerment. In addition, the government also launched a series of policies related to retribution and villages which directly or indirectly could affect tourism villages. However, beyond the range of the policy there are some pretty prestigious achievement. Recently this tourist village received recognition from UNESCO as one of the Geo-park sites and as the best Tourism Village of ASEAN Community-Based Tourism.

2. Literature Review

2.1. Community-based Tourism

Prabhakaran, Nair and Ramachandran (2014) argues community participation in tourism activities through working directly provide economic benefits at the household level. However, consideration of how the mechanism of community participation within the framework of CBT is more important to be discussed further. Kibicho (2008) argues that if the use of community development approaches in tourism projects will get support from the community. Community involvement in the development and operation process

directly creates a degree of project ownership. Zapata et al (2011) found that although the community was positioned as a working partner in a top-down community-based tourism model, its role was still passive. Besides, Mayaka, Croy and Cox (2018) mentioned that the community is the main actor who actively participates in rural tourism development.

2.2. CIPP Evaluation Model

Stufflebeam (1971) argues that proactive evaluative decision making is through the CIPP model. As evaluation model, CIPP contains four basic components of a program activity namely Context, Input, Process and Product. This evaluation model is intended as a basis for decision-making oriented to planned changes. It can be simplified that the basic concept of evaluation carried out for improvement does not prove a thing. In addition, some scholars (Stufflebeam, Madaus & Kellaghan, 2002; Hakan & Seval, 2011) argue that the model can be used to evaluate programs and projects in various disciplines. There are several scientific articles (Rungsirattanawong, 2011; Aristrawati, 2015; Phumsathan, Manowaluilou & Udomwitid, 2016; Panca & Putra, 2016; Sastrawan, Paturusi & Arida, 2017) explaining how tourism programs are evaluated through the CIPP model. However, there were only a few articles (Rungsirattanawong, 2011; Sastrawan, Paturusi & Arida, 2017) which discussed the evaluation of community-based tourism programs using the CIPP model. With the limitations of the literature, the contextualization of the CIPP model in this study will be adjusted according to those two articles.

3. Methods

The community empowerment process was examined using the CIPP evaluation model in this study. In order to know the dynamics of the empowerment process through a community-based tourism framework, in-depth interviews were conducted with the stakeholders involved. The informants to be interviewed are not limited to members of the rural community, but also to the CBT committee, and other institutional partners. Information through interviews is an important foundation of research findings in this study. In addition, primary data is also obtained through field observations which are then used to cross-check the results of interviews. Each stakeholder has their own views or experiences on the empowerment process in a community-based tourism model.

4. Result and Discussion

4.1. Rural communities as main actor in Community-based Tourism.

This first finding is a reflection of the CIPP evaluation model, especially the context, input and process. The results of the context evaluation show that there is tourism potential and social welfare issues in the village. Before the establishment of tourist villages, village communities with all their limitations were able to manage barren mountainous areas into conservation areas that have added value to tourism. The issue of village social welfare is also a concern because the majority of people's livelihoods depend on the agricultural sector. Where farmers are synonymous with poverty and low welfare. Therefore to overcome this problem, community groups with assistance from stakeholders form community-based village tourism as a solution to preserve the environment and improve welfare for the community.

Furthermore, evaluation of inputs focuses more on assessing the capacity of tourism village management institutions. This capacity assessment must also be adapted to the tourism potential possessed. Nglanggeran Village has several types of tourist attractions that can be further developed. By applying the concept of community-based tourism, it automatically places the community as the main figure in managing tourism activities from planning to evaluation. Other facts show that human resources, supporting facilities and capital are a weakness faced by managers. The findings of the two previous evaluations also have a correlation with process evaluation. In terms of the division of labor, each village community group has a specific role in tourism activities.

The community is a key actor in the community-based tourism model. Since the beginning of its development, village communities have an important role. The community is involved in the tourist village of Nglanggeran because it is based on community activities that are used as an attraction. Communities become more independent and rely on their own abilities to develop tourist attractions. Therefore, it can be concluded that village communities are the main actors of tourism activities. Based on informant interviews summarized in the table below, it appears that the important role in tourism in Nglanggeran Tourism Village is in the community.

Table 1 Role of community groups

Community Group	Role	Activities
<i>Pokdarwis</i>	Management	Maintain cleanliness of the tourist attraction
		Home-stay reservation
		Manage and develop tourism activities
		Local transport for tourist
	Guide	Guide trips in Ancient Volcano and outbound activities
Art Group	Management	Providing art training for community
	Spokesperson	Providing art training for tourists
Farming Group	Management	Manage agricultural tourism areas
	Spokesperson	Agricultural tourism training
Culinary Group	Supplier	Providing food for tourists
	Spokesperson	Culinary training for tourists
Home-stay Group	Supplier	Provide home-stay and interact with tourist
	Spokesperson	Training for tourists in local wisdom

Source: Author's own analysis

Based on the table above there are several community groups involved in tourism activities. When examined further, managerial functions were under the *Pokdarwis* so that they became a holding group for rural communities. However, in handling general routine activities, the community as a whole is also involved. The involvement of community groups only occurs in the management of tourism activities. Group management is carried out independently without intervention from *Pokdarwis*. In addition, they are also free to network and collaborate with various parties to increase capacity in accordance with the scope of community activities. As stated by the spokesperson:

“we provide flexibility to community groups so that they can increase their respective capacities.” (M, Oct 25, 2018).

This opinion was then reinforced by other spokespersons:

“To partner with third parties, we are adjusting to the institutions we have ... the institutional flexibility used, there are people who are more likely to be placed in it” (SH, Oct 23, 2018).

These opinion shows that institutional flexibility is very important to encourage networking and capacity building. *Pokdarwis* has an important role in developing tourism village potential as an alternative form of village community development. With limited resources, institutional flexibility is important. This flexibility makes it easier for community groups to reach stakeholders who directly or indirectly have an impact on rural communities. Therefore, this study then examined the stakeholders and their role for the Nglanggeran community as presented in the following table:

Table 2 The role of other stakeholders

Stakeholder	Role	Activities
Ministry of Tourism	Policy Maker	Formulate and issue provisions for tourism activities
	Capacity building program	Provide assistance on tourism management training, home-stay training, guide training, culinary training, and art training
	Physical assistance program	Provide assistance for developing tourist attraction, accommodation and amenity
Ministry of Village, Development of Disadvantaged Areas, and Transmigration	Policy Maker	Formulate and issue regulation to provide legal standing for Village Owned Enterprise

Stakeholder	Role	Activities
Ministry of Agriculture	Assistance	Provide farm-related assistance
Yogyakarta Provincial Government (service below)	Non-physical assistance program	Provide right to use (land use) of the ancient volcano
	Facilitator	Facilitate the promotional activities
Gunungkidul Regency Government (service below)	Policy Maker	Formulate and issue provisions for retribution of tourism place, Detail Engineering Design, Master plan and Site Plan
	Physical assistance program	Provide assistance for developing road construction and road sign
	Facilitator	Facilitate the promotional activities
	Assistance	Provide farm-related assistance Provide assistance on tourism management
Nglanggeran Village Government	Policy Maker	Formulate and issue provisions for tourism activities as business unit of Village Owned Enterprise
	Assistance	Give consideration and direction in decision making
		Administrative service
Traveloka	Business Partner	Promote travel packages
Bank Mandiri	Assistance	Provide assistance on amenity
Pertamina	Assistance	Provide assistance on agricultural seeds
Bank Indonesia	Assistance	Provide training in cocoa processing
University Student (from different university)	Non-physical assistance program	Provide for management training, language training and hospitality training
	Physical assistance program	Provide assistance on amenity
Lecture and researcher (from	Assistance	Provide recommendation, policy brief and technical assistance

Stakeholder	Role	Activities
different university)		

Source: Author’s own analysis

4.2. Dynamics of relationships between stakeholders

Table 2 previously explained how the role of external stakeholders in the development of Nglanggeran tourism village. Besides, it can also be used as a reference to see the dynamics of relations between stakeholders. This second finding is a reflection of the Input and Process of the CIPP model. External actors have a role in developing policies that can affect tourism villages. The influence is an input for tourist villages to improve and adjust. In process practice, external actors are also involved in community capacity building programs. In general, every stakeholder has his own domain and work interests. With these differences, it has direct implications for the emergence of variations in relationships. The relationship can be in the form of cooperative relationships, complementary relationships and potentially conflictual relationships.

Furthermore, based on the table 2, it also shows that the activities undertaken by the stakeholders can be categorized into two based on the orientation that is directly and indirectly. Direct activity is an activity carried out by stakeholders that is directly related to tourism activities. Whereas indirect activities are more on activities that are not directly related to tourism, but also have an impact on tourism. As mentioned above, in developing capacity, community groups have the freedom to develop themselves. Relations between community groups and *Pokdarwis* are not vertical but horizontal relationships as work partners. Community groups are free to network with any party they feel can help to develop their potential. Therefore, it is very possible the development of capacity but is not directly related to tourism. Nevertheless *Pokdarwis* tends to provide back-up support for every activity carried out by these community groups.

For more details, few illustration will be given as follows. After the enactment of the law on regional taxes and levies. Regency governments have an obligation to regulate this. Indirectly, the enactment of these rules is to provide legality for *Pokdarwis* in collecting retribution on tourism objects. However, the immediate impact is a decrease in the number

of visitors which is directly proportional to the decrease in income. This immediately triggered community resistance to the implementation of the law. In this situation, the cooperative relationship between the government and *Pokdarwis* as the holding group seems to turn into a potentially conflictual relationship. It should be noted that the government does not only act as a policy maker, but also as a community facilitator. During the resistance, the government continued to provide assistance to community groups, especially *Pokdarwis*. In that time period *Pokdarwis* also experienced problems related to the increase in the amount of waste from tourism activities. In addition, it is feared there will be excess carrying capacity which also has the potential to damage the environment.

Assistance from stakeholders (including government agencies) in developing the capacity of community groups led to changes in mindset. Consciously *Pokdarwis* chooses to maintain environmental conservation compared to short-term economic benefits. *Pokdarwis* believes that the decrease in the number of visits is also directly proportional to the decrease in the volume of waste. The decline in economic benefits was then overcome by developing tourism packages based on community activities. In addition, intensive communication between *Pokdarwis* and various stakeholders also encouraged an agreement to increase the amount of tourist object retribution.

Another example is the Agricultural Technology Park (TTP) program. This program is a program of the Agricultural Research and Development Agency (under the Ministry of Agriculture) that works with one of reputable University and is aimed at increasing farmers' income on the basis of technological innovation. The Nglanggeran case is focused on post-harvest processing. Whereas Bank Indonesia in collaboration with the Gunungkidul Regency Agriculture Service provides a post-harvest processing assistance program, especially cocoa commodities. At a glance, the two programs can be complementary. But in practice, as if there were two chocolate processing culinary groups competing in the same market. Competition in a market is natural from an economic point of view. Even though it is located in the Nglanggeran tourist area, TTP is not integrated in tourist villages. It is different from the assistance program from Bank Indonesia that goes through culinary community groups that are automatically synchronized with community-based tourism.

From the illustration above shows that there is a cooperative relationship between external parties and community groups. Besides, external parties seem to have relationships that complement one another. The Agricultural Research and Development Agency focuses more on the application of technological innovation while Bank Indonesia focuses more on improving the quality and diversification of agricultural products. Behind these external stakeholder relationships there are potentially conflictual relationships from community groups. The beneficiaries of the programs are two different groups and not connected at all. Moreover, TTP is located in a tourist area managed by *Pokdarwis*, giving rise to the impression that there is a dualism of management in the same location. To solve this problem, community groups and internal stakeholders gathered and discussed in a forum to find a solution.

The lesson that can be taken from the series of illustrations above is that adaptation in change is an important key to being able to survive. *Pokdarwis* has a forum for communication with internal stakeholders to discuss the dynamics that arise in the management of tourist villages. The internal stakeholders are not limited to community groups, but also village government. Moreover, the position of the tourist village became a business unit under the Village Owned Enterprise which directly placed the Village Government as the main administrator. However, the Government is committed to continuing to encourage village tourism villages managed by the community. Therefore the community remains a key actor in decision making while the government is positioned as an advisor to provide input. The decision-making mechanism through deliberation is the only method used in this forum. This method represents the value of *Pancasila* democracy. When deliberation has reached consensus among stakeholders, the dynamics or friction that occurs in the previous process will not continue.

5. Conclusion

Internal and external stakeholders are interested in participating in tourism activities developed in this tourist villages. One lesson learned from the above explanation is that rural communities are involved and playing a central role in tourism management is one of the important keys in the sustainability of community-based tourism. With the large role of the community, it is expected that the benefits received will be directly proportional. In addition, this study found that adaptation to a series of changes is mandatory. Tourism as

a business unit must be sensitive to environmental changes that occur. The response to these changes is an important key to developing a sustainable business. Evaluations are carried out through a communication forum between internal stakeholders was not to refute but rather leads to improvements in the future strategy.

One thing that must be underlined participation is an important key. Tourism cannot develop without the participation of various stakeholders. As mentioned earlier the involvement of rural communities is more important than the role of various stakeholders for sustainable community-based rural tourism. Nevertheless another important lesson from this case is that the participation and involvement of various stakeholders greatly influences the existence and sustainability of tourist villages. Given that rural communities have limited resources to develop themselves. It can not be denied that external stakeholders still have a stake in the community-based rural tourism.

Bibliography

- Arieta, S. (2010). Community Based Tourism Pada Masyarakat Pesisir; Dampaknya Terhadap Lingkungan dan Pemberdayaan Ekonomi. *Jurnal Dinamika Maritim*, 2(1).
- Aristrawati, N. L. P. (2015). Evaluasi Parade “Ogoh-Ogoh” Sebagai Pendukung Pengembangan Pariwisata Budaya Di Kota Denpasar. *Jurnal Master Pariwisata (JUMPA)*, 2(1), 42-60. doi:<https://doi.org/10.24843/JUMPA.2015.v02.i01.p03>
- Blackstock, K. (2005). A critical look at community based tourism. *Community Development Journal*, 40(1), 39-49. doi:10.1093/cdj/bsi005
- Goodwin, H., & Santili, R. (2009). Community-based Tourism: A success? (ICRT Occasional Paper No. 11). Leeds: ICRT and GTZ
- López-Guzmán, T., Sánchez-Cañizares, S., & Pavón, V. (2011). Community-based tourism in developing countries: a case study. *Tourismos*, 6(1).
- Hakan, K., & Seval, F. (2011). CIPP evaluation model scale: development, reliability and validity. *Procedia - Social and Behavioral Sciences*, 15, 592-599. doi:<https://doi.org/10.1016/j.sbspro.2011.03.146>
- Harun, Z. (2014). Model Strategi Pemberdayaan Masyarakat Melalui Pengembangan Pariwisata yang Berbasis Komunitas Lokal: Kasus di Kota Padang Panjang. *Jurnal Antropologi: Isu-Isu Sosial Budaya*, 16(1), 99-106.
- Kibicho, W. (2008). Community-based Tourism: A Factor-Cluster Segmentation Approach. *Journal of Sustainable Tourism*, 16(2), 211-231. doi:10.2167/jost623.0
- Lapeyre, R. (2010). Community-based tourism as a sustainable solution to maximise impacts locally? The Tsiseb Conservancy case, Namibia. *Development Southern Africa*, 27(5), 757-772. doi:10.1080/0376835X.2010.522837
- Lestari, G., Armawi, A., & Muhamad, M. (2016). Partisipasi Pemuda Dalam Mengembangkan Pariwisata Berbasis Masyarakat Untuk Meningkatkan Ketahanan Sosial Budaya Wilayah (Studi di Desa Wisata Pentingsari, Umbulharjo, Cangkringan, Sleman, DI Yogyakarta). *Jurnal Ketahanan Nasional*, 22(2), 137-157.
- Mayaka, M., Croy, W. G., & Cox, J. W. (2018). Participation as motif in community-based tourism: a practice perspective. *Journal of Sustainable Tourism*, 26(3), 416-432.

- Okazaki, E. (2008). A Community-Based Tourism Model: Its Conception and Use. *Journal of Sustainable Tourism*, 16(5), 511-529. doi:10.1080/09669580802159594
- Panca, I. M. A. A., & Putra, I. N. D. (2016). Evaluasi Pengembangan Desa Budaya Kertalangu Denpasar Sebagai Daya Tarik Wisata. *Jurnal Master Pariwisata (JUMPA)*, 2(2). doi:https://doi.org/10.24843/JUMPA.2016.v02.i02.p10
- Phumsathan, S., Manowaluilou, N., & Udomwitid, S. (2016). *Moving Away From Mass Tourism To Creative Tourism—How To Get Started A Case Study: Creative Tourism Development Of Trat Province, Thailand*. Paper presented at the 6th ADVANCES IN HOSPITALITY & TOURISM MARKETING & MANAGEMENT CONFERENCE.
- Purbasari, N., & Asnawi, A. (2014). Keberhasilan Community Based Tourism di Desa Wisata Kembangarum, Pentingsari dan Nglanggeran. *Teknik PWK (Perencanaan Wilayah Kota)*, 3(3), 476-485.
- Prabhakaran, S., Nair, V., & Ramachandran, S. (2014). Community Participation in Rural Tourism: Towards a Conceptual Framework. *Procedia - Social and Behavioral Sciences*, 144, 290-295. doi:https://doi.org/10.1016/j.sbspro.2014.07.298
- Rungsirattanawong, N. (2011). *The Evaluation Of Ecotourism Management Planning By The Local Community Of Klong Khone Mangrove Conservation Center, Tambon Klong Khone*. Mahidol University.
- Salazar, N. B. (2012). Community-based cultural tourism: issues, threats and opportunities. *Journal of Sustainable Tourism*, 20(1), 9-22. doi:10.1080/09669582.2011.596279
- Sánchez, N. C., & Andersen, C. F. (2015). Social Entrepreneurship within Community Based Tourism in a Latin American Context-A case.
- Sandmeyer, A. E. (2006). *Community-based ecotourism and sustainable community development: Exploring the relationship*.
- Sastrawan, I. G. A., Paturusi, S. A., & Arida, N. S. (2017). Evaluasi Pengembangan Potensi “Ancient Track One” Dengan Model CIPP Di Desa Wisata Bedulu Dan Desa Buruan Kabupaten Gianyar. *Jurnal Master Pariwisata (JUMPA)*. doi:10.24843/JUMPA.2017.v04.i02.p10
- Sebele, L. S. (2010). Community-based tourism ventures, benefits and challenges: Khama Rhino Sanctuary Trust, Central District, Botswana. *Tourism Management*, 31(1), 136-146. doi:https://doi.org/10.1016/j.tourman.2009.01.005

- Stufflebeam, D. L., & Ohio State Univ, C. E. C. (1971). *The Relevance of the Cipp Evaluation Model for Educational Accountability*.
- Stufflebeam, D. L., Madaus, G. F., & Kellaghan, T. (2002). Evaluation models : viewpoints on educational and human services evaluation.
- Tolkach, D., & King, B. (2015). Strengthening Community-Based Tourism in a new resource-based island nation: Why and how? *Tourism Management*, 48, 386-398. doi:<https://doi.org/10.1016/j.tourman.2014.12.013>
- Tosun, C. (2000). Limits to community participation in the tourism development process in developing countries. *Tourism Management*, 21(6), 613-633. doi:[https://doi.org/10.1016/S0261-5177\(00\)00009-1](https://doi.org/10.1016/S0261-5177(00)00009-1)
- Tosun, C. (2005). Stages in the emergence of a participatory tourism development approach in the Developing World. *Geoforum*, 36(3), 333-352. doi:<https://doi.org/10.1016/j.geoforum.2004.06.003>
- Zapata, M. J., Hall, C. M., Lindo, P., & Vanderschaeghe, M. (2011). Can community-based tourism contribute to development and poverty alleviation? Lessons from Nicaragua. *Current Issues in Tourism*, 14(8), 725-749. doi:10.1080/13683500.2011.559200

The Effect of Royal Decree on Managing the Work of Aliens B.E. 2560 (2017) on Myanmar Migrant Workers

Su Sandarr Than

susandarthan@googlemail.com

Abstract

This study assesses the impact of the Royal Decree on Managing the work of Aliens B.E. 2560 (2017) on Myanmar migrant workers (legal and illegal). There are a lot of Myanmar migrants in Thailand may it be through legal or illegal channels. Especially for the illegal migrants, despite being cheated and exploited by greedy job brokers, harsh employers, the terrible experience of being trafficked and numerous labor situations, these migrants have no choice but to endure it all. Due to the above-mentioned issues, the military junta imposed this new law on 23rd June 2017 which came officially into force on 1st July 2018. As it comes out almost suddenly, both governments agreed to a grace period for the illegal migrants to get legal status. The case study for this research is Samut Sakhon province in Mahachai, Ekachai and Bang Bon district, which has plenty of Myanmar migrants working there. The author started this field works from the end of August to the middle of September by using structured in-depth interview. During the session, the author interviewed various stakeholders to get a grasp of their perceptions and opinion on the issue. Based on the initial outcomes of the fieldwork, there are plenty of interesting developments related to this new law. In short, the Royal Decree in general is good, but it needs simplification to make it more effective and efficient.

1. Introduction

Migration is a statement of an individual's needs and aspirations, global view, and respect for social norms (Brettell, 2003). Myanmar migrant workers' movement began in the 1970s following the dictatorship established in Myanmar in 1962 which resulted in an economic crisis due to the implementation of Burmese way to Socialism coupled with an ongoing civil conflict, natural disasters and rural poverty in Myanmar. As migrants wanted to avoid their problems, they entered illegally to Thailand, which is closer and a robust economy in the region. Most migrants are unskilled or semi-skilled and are from minority ethnic groups and rural areas who are avoiding from poverty in their places. In Myanmar's case, migrants could not afford to pay legal way, wait and be bureaucratic. So Myanmar migrants

got low skilled jobs in industries such as fishing and seafood firms, construction, garment and domestic services etc (Ma, 2008).

Although they face their difficulties, they still illegally enter Thailand to seek money for their family in Myanmar. As they are of illegal status, their lives are very challenging such as various exploitation in Thailand. At that time, their working conditions are severe and they have no labor status. Finally, they are exploited and become victims of various people such as dishonest job brokers, agents and employers (Hall, 2012).

To control this problem, on 23rd June 2017 Thailand's military coup announced and adopted a Royal Decree on Management the Work of Foreigners B.E. 2560 (2017) or Thailand's new labor law. In this new law, it puts prison penalties and fines for both employer and employee at first (Tungsuwan, 2018). But on 23rd March 2018, the government has reduced the imprisonment penalties and fines for preventing the distorting labor market.

The author sees that the outcome of this study shall contribute to better protect the Migrants and ease the dilemma of human trafficking in Thailand. Due to this reason, this research seeks to investigate how this law will affect Myanmar's migrant workers, especially the illegal ones.

2. Literature Review

This section includes three parts:

- 1) Definition of migration and migrants. The phenomenon of migration has various reasons including physical and psychological ones and is mostly associated with seeking a better life . Among them, the author deals with involuntary migrants, who are content to live where they live are forced to live, usually by dramatic economic, political or military events. They are relocated due to forced labor, slave worker, coerced movement of persons, human trafficking, violence and sexual exploitation. (Chatty,2013).
- 2) Issues involving temporary illegal migrant workers. This part aims to observe the status of temporary illegal migrants in the destination and original countries, which face and handle the issues. Due to poor background with no education and a lot

of office's processes, they are becoming illegals. They don't get legal welfare and benefits, they usually get 4D jobs (Dirty, Dangerous, Difficult and Devalued jobs), they cannot communicate well and sometimes they commit crime (Kazancigil,Carino, Chantavanich, & Castled, 1997). After being deported, some countries give them harsh punishment but some give a chance to settle down in their own country.

- 3) Myanmar migrant workers in Thailand and the Royal Decree on Managing the Work of Aliens B.E. 2560 (2017). Due to the border area, Myanmar migrants enter to Thailand over illegal channels. Most Myanmar migrants are undocumented labors that face adversely situations in their jobs and without getting labor rights. Finally they become prey of human trafficking, force labor, violence and sexual exploitation and expulsion by authorities (Hall, 2012). On 23 June 2017, Thai military coup adopted the Royal Decree on Managing the Work of Aliens B.E 2560 (2017) but they gave a grace period over a year for preparation processes. It was officially enforced on 1st July 2018. This law is very advensing because it combines of two enforcing laws: Royal Decree on Bringing Alien to work in Thailand B.E. 2559 (2016) and Alien's Work Act B.E.2551(2008). In this law, there is no sub contract and it emphasizes the employer's responsibilities. However,it gives penalties not only for employers but also employees can be sent back to their places. It protects workers because of labor governance law. In the literature, this law is considered good for verification of both migrants and destination country. However some migrants and Thai SMEs face a difficult time. During this grace period a lot of Myanmar illegals got legal status. Thai government is reducing some restrictions for migrant workers to give a chance for working. According to the above mentioned situation, this research needs further exploration from various stakeholders for effecting this new labor law on Myanmar migrants especially illegal migrants. This new law is not like the old one because it puts employer's responsibilities and its fines are higher than the old one but it still upheld with the main requirements and principles by previous legislations and has been adopted up to date with current situation issues to respond in the country.

It is noteworthy to mention that there is restricted knowledge on the number of illegal migrants in Thailand. Recently, data of the number of illegal migrants is severely lacking.

3. Methodology

This study emphasizes fact findings and analysis on the outcomes from various stakeholders who were interviewed by the author in Thailand. In primary research, the qualitative study with systematically structured in-depth interviews will cover both administrative structures and the practices that were used by various stakeholders such as employees, employers and officers from NGO, ILO, Myanmar and Thai Labor Ministries. That includes the exploration of consequences of the Thai Royal Decree on Managing the Work of Aliens B.E.2560 (2017) upon people. These survey outcomes focused on that various stakeholders have different perceptions and understandings in accordance with their own field. If there is no detailed conception of these various stakeholder trust relied on their own activities. It could be tough for authority concerns to adopt more realistic policies to create available, manageable and safe migration processes. According to (Marshall & Rossman,2006), this method, descriptive and value context, is core activity if the researcher understands the participants’ perspective in-depth in social and economic setting.

According to the primary research, the above mentioned qualitative method will be used as an informative exploration of these stakeholders, since it is too risky to contact directly to illegal migrants. This is crucial because of the moral ethics as well as of the incredibly high risk for them to get arrested by Thai police anytime and anywhere. So it has got the facts and figures from various stake holders, especially ILO’s and NGO’s officers. According to the interview of ILO’s officer and Myanmar Labor Attache’, there are 2,199,588 Myanmar legal migrants in Thailand. Among them over 422,000 migrants did not have official documents. Due to Royal Decree, they got Certificate of Identity within the grace period.

This interview guide to be used during interview with different stakeholders is as follows:

After adoption of Thailand’s new labor law, how does Thailand’s new labor law impact Myanmar’s migrant workers.

Main questions

- 1). What difficulties the Myanmar migrants/ employers/ NGO have faced and what impacts have they got? (asking all stakeholders)

2). What is your opinion on the effect of the new labor law to the foreign migrant workers especially Myanmar migrants? (asking Thai and Myanmar officials)

Supporting questions

- Do you get compensation from employer ? (asking employee)
- Do you cover by yourself or paid by your employer? (asking employee)
- In your opinion, does this new law affect Myanmar illegal migrant workers? How much does it affect them? (asking employee)
- What are the differences before and after adoption this new law? (asking employee, employer)
- Do you take the responsibility for the migrants to change to legal status? (asking employer)
- What are the strengths and weaknesses of the new law in Thailand? (asking NGO, ILO)
- Who will be the victim in future? (asking employer, NGO, ILO, officers from Myanmar and Thai Labor Ministries)
- Why was the new law adopted? (asking Thai officials)
- What are the difficulties on your side in implementation of the new law and how will you overcome? (asking Myanmar and Thai officials)
- Is there any other focus of this new law apart from migrant workers, if yes please explain in detail? (asking Myanmar and Thai officials)

Sub questions

- How much does this law impact the migrant workers in general?
- What will happen to those illegal migrants after the introduction of the new law?
- Will this law help Thailand to curb illegal or undocumented migrant workers?

Secondary research includes documentary analysis, archival research and literature analysis. From this research, some facts or points that could not gotten from field work, were useful to get good results for my study.

4. Findings, Analysis and Discussion

4.1 Introduction

The chapter contains findings, which illustrate how the new labor law impact Myanmar migrant workers by exploring the attitudes of employees and different stakeholders.

4.2 Major findings from the surveys

4.2.1 Migrants abroad: informal movement

According to the research it can be said that nowadays many people from the whole country of Myanmar enter illegally into Thailand because they cannot afford to enter legally. It suggests that they enter Thailand continuously due to lack of job opportunities, low socio-economic conditions, brokers and migrant network between home and host communities. It is found that they are paid upon time to time variously and their main intention is to get a better job that enables them to support their families at home in Myanmar. It can explain their aims that they have plans to go back when they have sufficient money to do their own business one day.

4.2.2 Findings from the Conception of Myanmar Migrant Workers upon Thai Royal Decree

According to the author's field work, it can be said that most migrant workers agree this law for protection of their lives. This interview it can be significantly seen that they know more about the MOU system due to this law. It shows that some employers did not take their responsibilities such as some migrants have been applying the Social Security even though they have been worked this job since many years ago. It is obvious to see that good benefits for getting the Certificate of Identity or temporary passport to some migrants during the grace period. Author found that they have full confidence for holding at least CI instead of pink card so they can go everywhere and they don't have confined places. It can express that their lives are more freedom than pink card time.

4.2.3 Findings from the Views of Various Stakeholders upon Thai Royal Decree

4.2.3.1 Findings from the Conception of Assistant General Manager, Human Resource Manager, Department Manager, Production Manager and Department Manager (employers)

Although nearly all interviewed employers' sides agree this law, some did not agree for doing a long process that takes time and brings higher cost than Tor etc. It is found that some told that it is good for Thailand and its national enterprises, but it is no good for foreign companies by hiring cost higher than Tor times. The author found that they agree high penalties, but some disagrees for not expressing of employee's absence more than three days in their works. It is obviously to see that they changed procedures in the documentation part. It is more significantly to express that they believe MOU which is the protection of employees' rights.

4.2.3.2 Findings from the Perception of Chairman of Migrant Worker Rights Network and National Project Coordinator for Thailand in ILO

According to the Chairman of the Migrant Worker Rights Network, there are still illegal migrants and entering into Thailand because of the lack of both governments' information systems. It can clearly be seen that it is good for employees who are enabled to live with official documents and it emphasizes the employer's responsibilities. To prevent human smuggling, it shows that the main leading actors are both governments and employers. It emphasizes that the law needs the government to enforce the employer's handling to safe his employees' rights and requirement of employees' awareness. It can be said that this issue needs attention not only in the destination country but also in the original country to support migrants with educating training before contact with relevant stakeholders.

In accordance with ILO's National Project Coordinator, it could be said that it is the labor migration governance and needs simplification to be understood by the public. It can be seen that this law is adopted with three migration conventions of ILO Convention: No. C181 (Private Employment Agencies Convention ,1997), No.97(Convention concerning Migration for Employment, 1949) and No.143 (Convention concerning Migrations in Abusive Conditions and the Promotion of Equality of Opportunity and Treatment of Migrant Workers,1975) and UN Convention 1990. It is obviously seen that the law is more consolidated for combination of two enforcing laws: the 2016 recruitment law and Alien Working Acts. Fairness and different penalties are given for reacting each other including both issues when they break the law. According to this interview, it can be seen that SMEs

sides are in the worst situation for avoiding the high fines of employees so it needs to be discussed thoroughly concerning with penalties because it can badly affect upon the people including this issues, especially SMEs. It is clear that migrants' coming to Thailand with broker has already broken the law for smuggling. It expresses that this law could not be affected for enforcing of a lot of regulations in there if involved officers were lack of knowledge and understanding. It emphasizes the main character of migrants' that they have to formally express complaints about their exploitation. In enforcing the law, it is distinct to see that adaptation of policies and rights are needed for improving the effect of this law. It needs to be stated further that it has no regulation for migration costs and fees even though there is adopted a law of zero fee policy.

4.2.3.3 Findings from the Perspective of Myanmar Labor Attaché and Thai Labor Officer

It shows that there is no sub contract in this new law according to Myanmar Labor Attaché'. This interview expresses that no human trafficking and exploitation due to non- subcontract role. It learns that, Myanmar migrants are now making MOU or U- turn way although they entered illegally in the earlier time. This research shows that according to this law, there are three types of migrants: those having no documents at all, those having incomplete documents and others with wrong documents. Only the first ones have to go back but the other two can make proper processes concerning their issues. It could be said that the employer is most the responsible person for his employees sending them to the right place. This research shows that as long as employer and employee depend on broker, they will become a victim forever.

According to the Thai Labor Officer, it can be seen that Thailand needed to change the management of migrant labors so they were enabled to manage, protect and encourage them. It exposes that its objectives are to safeguard workers and cooperate with them to let them work legally according to international norms. It expresses the importance of the employer's responsibilities: sending the migrants back home after the contract, report their resignation letters to the Thai government, making registration and guarantee to protect migrants from human trafficking.

4.3 Analysis and Discussion

In making analysis from the above major findings, this research recognizes that this new law is good for employees because it is adopted for labor migration governance and imposes employer’s admin responsibilities: making register, protecting from human trafficking and joining with official matters. No sub-contractor and zero- fee for recruitment are free from victim of human smuggling. It is very advancing to combine two enforcing laws concerning recruitment practice and employment acts. Only when the involved officers have skilled abilities and sensibility, the law can run efficiently and effectively.

Within the grace period, over 400,000 of Myanmar illegals got legal status. Nowadays, it is still providing for those migrants having incomplete documents and those with wrong documents. But migrants those having no documents have to be prosecuted. It is a different description for legal migrants in this new law. It means that both governments and employer need to verify the migrants’ status in accordance with the ILO’s Convention. So it is very secure for them. Migrants have to formally express complaints about their exploitation. In enforcing the law, it is needed to adapt policies and rights affecting this law. It has no regulation for migration costs and fees even though there is a zero- fee policy adopted.

Although SMEs sectors are facing adverse situation, Thai government is now adjusting for fulfilling their requirements. Now both governments are making concerted efforts to the fishery sectors’ labors to get legal status. It is needed to simplify the law’s instructions for the dos and don’ts to the public and to make well-publicized the information. Due to this law, MOU is more understood than before- because it does not allow the wrong in particular with the facts which are in the work permit.

5. Conclusion and Policy Recommendation

5.1 Conclusion

According to the completion of the survey addressing the effectiveness and the lack of enforcement of the Royal Decree on Managing the Work of Aliens B.E.1560 (2017), the author has gained the following understandings:

- Royal Decree on Managing the work of Aliens B.E. 2560 (2017) has upgraded Myanmar migrants status such as illegal to legal, pink card to ordinary passport (or Certificate of Identity (CI)).
- They can be free from human trafficking and human smuggling for putting employer’s accountabilities, no sub- contractor and zero fee policy in this new law.
- This law becomes MOU more significant than before.
- This law is labor migration governance so it can protect the migrants’ lives.
- This law needs to simplify for understanding of concerning people.
- Government and employer are the most responsible persons to enforce the law effectively.
- This law cannot change illegal migrant to legal status after enforcing it.
- SMEs can raise up again with Ad hoc policy if necessary.
- Brokers’ role cannot be ended as long as it is having both interests.

This law is very advancing which has been adopted in accordance with three migration conventions of ILO Convention and UN Convention 1990 can be part of the literature review, so it is good upon legal issue, fundamental human rights and labor migration governance. But it is needed to enforce effectively among employer, migrant workers, recruitment agency and government officials.

5.2 Policy Recommendation

This law is good for adoption in accordance with the ILO three Conventions’ norm: No.C181, No.97 and No.143 concerning with migrants’ employment and protection. It is consolidation for combination of two enforcing laws concerning with recruitment management and employment practice. As putting the employer’s responsibilities, no subcontractor role and zero fee policy, it can protect employees’ life safety. According to the upgrading of Thailand’s TIP by US, it can prevent the human trafficking. Some procedures in MOU should be used online in both countries. It needs to enforce the law effectively, efficiently and rapidly.

5.3 Limitation

This research brings about my field works limitation and literature reviews. However, I mentioned this limitation by due to time constraint, place and participants (legal migrants) those who were telling the expressions are real or not. For my security, I could not make interview with illegal migrants.

According to the methodological limitation, the survey contains restraints in sampling and recruitment. As a qualitative research, the research is not enough to get sufficient data for all migrants and it could get data inside the research topic, as guided by (Descombe, 2007, as cited in Ko Ko Si Thu, 2016). This research is based on only (21) participants from different stakeholders who have their own conception and my literature review. So the outcomes from this research can be a valuable prediction for future result.

Bibliography

- Anna, C. (2016). Penalties for being caught working without a permit in Phuket. Phuket News.
- Brettell,C. (2003). Anthropology and migration: Lanham: AltaMira Press.
- Chatty,D. (2013). Forced migration.
- Hall,A. (2012). Myanmar and Migrant workers: Briefing and Recommendations. 4.
- Kazancigil,D.A., Carino,P.B.,Chantavanich,A.P.S.,& Castles, P.S. (1997). Migration issues in the Asia Pacific.University of Wollongong, Australia, Australia.
- Ma, A. (2008). Labor Migration from Myanmar: Remittances, Reforms, and Challenges, migration policy. org. Migration Policy Institute.
- Marshall,C.,& Rossman, G.B. (2006). Designing qualitative research. Thousan Oaks, Calif.; Sage Publications.
- Thu, K.K.S. (2016). *Myth Reality in Irregular Migration*. (Master's thesis), Victoria University of Wellington
- Tungsuwan, S. (2018). New Law on Foreign Employees and Migrant Workers.

Internationalization or Non-Internationalization to the Implementation of Japanese's ODA.

Jutaporn Rotwittayathon

jutaporn.rwt@gmail.com

Abstract

The Official Development Assistance (ODA) is established under the rearranged mechanism of diplomatic tool which superpowers used to adjust the role of the donor country. Most of all, ODA is used for the humanitarian's purpose. Japan is one of the countries that has been successful in applying foreign aid policies in helping developing countries around the world and it is now considered that Japan has become as one of the top aid donors in the world since 1991. Japan's first foreign aid came as a result of the reparation to the Southeast Asian nations during World War II and Japan's foreign aid has expanded in the process afterwards. Japanese ODA evolved following its internationalization in scope and activities, including support to the concept of self-help which depend on socioeconomic conditions and bilateral relations; non-interference in domestic affairs, avoid military purpose or conflict avoidance and promote democracy process, human rights as well as liberal economy. The motivation of adapting to the international norm into ODA charter due to Japan's needs for recognition in the international stage. However, from the study indicated that the implementation of ODA charter has not been internationalized as intended. In case of the establishment of the Nam Theun II in Lao PD, it is found that there were the human rights abuses and environmental issues. Therefore, the implementation of ODA policy is still different from its internationalization efforts.

1. Introduction

The world history of Official Development Assistance (ODA) established during the colonial period through the colonial's aid activities to states under colonialism. After Marshall Plan, it can be said that in 1948, it was the first official initiation of ODA by United States as the assistance provider. USD 5 billion was disbursed to many countries of the European Union by the approval of Harry Truman, President of the United States. (OECD, 1994) Therefore, it cannot be denied that the ODA project is very beneficial to the recipient countries in various fields such as economic, technical. Moreover, it can lead to socioeconomic development. The role of the donor community is to achieve the development policies of

developed countries in supporting the prosperity of developing countries. In term of the Southeast Asia, Japan has the same context for role playing in the issue of ODA.

Japan rapidly became a developed country during the post-World War II. It has therefore enhanced its role in implementing the development policy in the international community through bilateral assistance and multilateral economic cooperation as an international donor assistance, such as the United Nations, the Organization for Economic Co-operation and Development (OECD) and the international financial institutions such as World Bank, ADB. Japanese ODA can be perceived into three categories including yen loans, grants and technical assistance. (Huda, 2016, pp.15) As a result of being defeated in World War II, Japan was forced signing of the San Francisco Peace Treaty in 1952 and began to pay war reparations to the countries in Southeast Asia which was invaded and damaged during the war. Therefore, it is stated that it is the beginning of the foreign aid of Japan. After that, Japan later joined the Colombo Plan in 1954 (Kawasaki, 2014) as a bilateral framework for cooperation in economic and social development in Asia-Pacific by using foreign aid and technical assistance as a mechanism to promote development. Japan's aid has expanded in the process and it has become an aid for economic development with other countries called Official Development Assistance (ODA). The implementation of this policy is not just only a purpose of developmental in a narrow view but it also implies the conduct of diplomatic activities and economic policies of developed countries to developing countries (Kato, 2016, pp. 1), which implies significant protection of Japan's national interests, both in the development of the country and making the country as a great power in the international arena. Therefore, it can be said that being forced to pay Japan's reparations is the beginning of economic and technical cooperation which developed into the current form of ODA.

In 1961, Japan developed the effectiveness of ODA which involved in socioeconomic development process in the recipient countries. Japan decided to join the Development Assistance Group (DAG), which later changed to the Development Assistance Committee (DAC) in 1962. In order to join as a membership in the OECD in 1964, this feature is another important beginning in accessing financial support, knowledge, skills and technical assistance to third world countries (Huda, 2016, p.16). The humanitarian norms conceptual

was supported by OECD and DAC initiated as Japan's foreign aid policy which Japan leads itself into a globalized state that adopted and deployed humanitarian and democratic norms to both at the social level and under the Ministry of Foreign Affairs (MOFA), which is an official government agency that operate aid assistance (Hirata, 2002a).

It cannot deny the fact behinds the Japanese aid policy that it was unavoidably involved in its economic objectives which aimed to rebuild the image of friendly relationship between Japan and its natural resources countries or regions. And another reason is to guarantee its markets and goods which always has a enough raw materials and distribution sources for its products (JFIR, 1998, p. 35). Therefore, in perceptions of John White (White, 1964, p.18) demonstrated that aid is a function of promoting a global political stability and economic growth which is opposite to Japanese. He criticized that Japanese aid policy is the important tools which is supporting its national and global interests to protecting its nation economic. In addition to economic purpose, the American's power is influenced to Japan's aid policy in global economic alignment cooperation as well as adopting the strategy to anti-communist in Asia (Orr, 1990, p.3). For this reason, the Japanese aid policy is modifying its approach to adopting the global agenda of democracy and good governance value (Diamond, 1992), which is the G-7 policy declaration at Houston Summit in 1990 that democracy is as an international norm, which would be adopted and promoted (Workman, 2018, p.91), and this norm also reflected to ODA Charter due to Prime Minister Kaifu Toshiku¹ declared the Four Guidelines of Japanese aid to the National Diet on April, 1991(JIIA, 1993, p.44), which took action into aid allocation's consideration to recipient countries, to increasing aid efficiency as well as the recognition to global stage, as following:

- The military spending.
- Trends to the weapons of mass destruction's development.
- The import and export of weapons.
- Attempts to reform their economic to liberal economic and adapts the concept of democratization as well as basic human rights to their implementation.

¹ The Japanese personal names are given with the surname first and following with the first name.

(Eyinla, 1999, p.416)

Thus, the first ODA Charter took place in 1992 in an attempt to explain the reasons for the assistance and to emphasize Japan's respect for international values and norms (Workman, 2018, p.91). In 1992, ODA charter, it promoted the objective to building the world peace and universal prosperity and given priority to building Japan’s friendly relations with other countries (Workman, 2018, p.92). The key principles and priority issues as following;

Table 1: The principles and priority issues of 1992 ODA charter

Principles	Priority Issues
<ul style="list-style-type: none"> ● To support the concept of self-help which depend on socioeconomic conditions and bilateral relations ● Non-interference in domestic affairs. ● Avoid military purpose or conflict avoidance, including a military spending, trends to the weapons of mass destruction’s development as well as the import and export of weapons ● Promote democracy process, human rights as well as liberal economy 	<ul style="list-style-type: none"> ● Global problems, for instance; environmental and population ● The reaction of humanitarian crisis and basic human needs response ● Human resource and technology ● Infrastructures and structural rearrangement

Source: Adapted from “International Norms and Japanese Foreign Aid,” by Workman, S. L., 2018, *Asian Perspective*, 42, p. 92.

However, the requisition and pressure from Japanese public and NGOs about corruption scandals and economic maladministration in Japanese government institutions and the

business sector, reflected to ODA policies to modifying and adopting international norms and values (Hirata, 2002b). So that, the revision of the ODA Charter in 2003 occurred which is still focus on the same 1992 ODA charter’s principles, and it also extended and adopted a global norm of human security (humanitarian-oriented) as a key theme into its policy. The idea of human security as an inspiration of its ODA (Takemi, 2002) which is Obuchi Keizo, the former foreign minister and prime minister, always emphasized, promoted and internalized this norm as a major priority of Japan’s foreign policy (Workman, 2018, p. 93).

Table 2: The principles and priority issues of 2003 ODA charter

Principles	Priority Issues
<ul style="list-style-type: none"> ● To support the concept of self-help which depend on socioeconomic conditions and bilateral relations. ● Non-interference in domestic affairs. ● Avoid military purpose or conflict avoidance, including a military spending, trends to the weapons of mass destruction’s development as well as the import and export of weapons. ● Promote democracy process, human rights as well as liberal economy. 	<ul style="list-style-type: none"> ● Poverty reduction and sustainable growth especially focus on South Asia. ● Sustainable development. ● Global issues such as threat, terrorism, environmental problem, disaster, health. ● Peace building. ● Assistance a democracy and market economy transition in Central Asia.

Source: Adapted from “International Norms and Japanese Foreign Aid,” by Workman, S. L., 2018, *Asian Perspective*, 42, p. 92.

Therefore, Japanese ODA remains focus on in supporting the values of democratization process, peacebuilding, environmental issue as well as human security which was an international norm. In addition to the statement of Japanese’s policy on White Paper on Development Cooperation 2015 (MOFA, 2015a), it has increased the importance of the

main objectives of ODA in supporting universal values and norms, such as the description of the Millennium Development Goals (MDGs) presented by the UN, which Japan has focused its efforts on ODA to comply with the MDGs (MOFA 2015a), or even on human security in the late 1990 (Takemi, 2002) is the main focus of Japan's foreign policy. Thus, Japan's ODA has increased the acceptance of international norms, especially the humanitarian crisis and democratic aspects, which can be seen from the principle of the ODA Charter.

2. Internationalization

Internationalization or *Kokusaika* in Japanese is a catchword with a wide variety of definitions that can be used in many terms of concept. Somehow, internationalization can be used to explain the centrifugal movement spread away which can be involved in the context of capitalism, open markets, parochialism, nostalgia and protectionism (Robertson, 1997, p.97). In term of traditional and culture from the Japanese sociologist perspective, Japanese's life-style and tradition was quite unique, strange and non-international but when it was viewed as the way of foreigner does, it was so talent and it was not unchanged whatever the time passed by (Kurita, 1983, pp. 131). According to this, Japan culture is a structural of human beings which can be internationalize its background and societies to others (Comaroff & Comaroff, 1992, pp. 27). In 1980 to 1990, Japanese national identity was not only internationalized into global, but also internationalized around the country by spreading from central to cities, towns as well as villages (Robertson, 1997, pp. 98, 99). In some cases, internationalize refers to the Americanize or Europeanize with a long history in trade activities or it may be a concept of civilization and culture (Yamaguchi, 1987-1989, pp. 36), and it can be the meaning of the role of hegemonic by Britain and US (Gamble & Falk, 1992). On the other hand, Japan led to the world internationalization super power in economic and culture even if it was limited its military and politic (Falk, 1992, pp. 33). It can be described that internationalization is a process which is a movement from the outside to individual firm's or international operations and its related to the dynamics of global trade (Welch, 1988, pp. 36). Sometimes, internationalization was used in term of counter discourse, similar to use of the word "the West" during the post-revolution of China. The variety group of Chinese society was evoked to express their action to domestic politic which is separated into 2 group; official Occidentalism; which is prefer the west, and anti-official Occidentalism; which is not to supporting the West. He Shang (Yellow River),

television series in 1988 is the example of China's intellectual who is the social movement to anti-ruling hegemony in China. So this series reflected to the creation of the area for anti-cultural and political criticism in China. (Chen, 1992, 613, 688, 710). The Japanese politics of internationalization was not the same expression like Chinese anti-official Occidentalism or a counter structure against the order of things at home. But for the internationalization of Japan, which is not about the rest of the world, it's just the explicit expression to the command the things at home, which is about the relationship between center Tokyo to the rest of Japan (Robertson, 1997, pp. 116). In the past, *Kokusaika* or internationalization began to decline in public-sphere catchword in Japan, which was later replaced by globalization and multicultural coexistence (*Tabunka kyosei*) (Oliver, 200. pp. 47) are frequently used to frame everything from economic policy to educational reform in form of changing over the years. (Lincicome, 1993 and Ehara, 1992). Therefore, in this study, the definition of internationalization which is adapted into Japanese ODA is about the concept of international norms; for instance, democracy, human rights, human security, market economy, etc., which was adapted and developed to the implementation of Japan's ODA from Tokyo to the rest of the world. It reflected to the idea of donation for development and it also represented how Japan respected in global norms and rebuild the Japanese's image in friendly relation to other countries. However, the concept of internationalization has been adapted to achieve Japan's national interests in the form of ODA policy towards developing countries. Scholars have analyzed the internationalization in Japan's ODA policy in a variety of perspectives. The concept of internationalization of scholars is divided into two major groups. The group considers the internationalization of Japanese from the western power and their international norms. In another group of scholar considers the internationalization from the context of Japanese, which has been reformed its form and purpose in period of time.

From the perspective of international norm, Japan's ODA policy is indicative of the need to return to the international stage again, so that, Japan wants to clear up its image of war criminals during World War II which invading countries in Asia (Ninomiya et al., 2009). Therefore, Japan is becoming a major supporter of the bilateral assistance process in line with the international community's approach. Moreover, it also describes the bilateral relationship between Japan and the United States which Japan's ODA is seen as a representative of US policy (Stein,1998). At the same time, the security issue was a factor

that influenced in the Cold War period and had significant implications as Japan's assistance became more consistent with US security policy. In addition, Japan has adopted the international norm of debt relief to increase the sense of indebtedness of poor countries and shift international assistance from infrastructure to debt forgiveness (Workman, 2018), besides, Japan's ODA is also in line with international norms on poverty reduction and disaster response (Kamidohzono et al., 2016). In sense of Japanese behavior, Japan is fundamentally a peaceful country (pacifist), which normally does not participate in world politics. But due to external pressure, especially the United States, Japan has to adjust its foreign policy to counter that pressure (Katzenstein, 2008 & Berger, 2003). While the national norm of Japan is the developmental state because Japan succeeds in economic development. But when Japan's economy stagnated after 1990, humanitarian norms advocated by the OECD and the DAC are beginning to be discussed in the Japanese society and reflected in the Japanese aid policy. This is an important issue for Japan to be a globalization state that embraces humanitarian and democratic norms at the social level and under the support system of the Ministry of Foreign Affairs (Hirata, 2002a). The first ODA charter in 1992 was to explain the reason for providing assistance and evidence of Japan's respect for values and international norms. At the same time, historical backgrounds during World War that Japan was being a defeated country in the war, it was the reason that Japan has no choice for being a partner with the West. The signing of the San Francisco Peace Treaty and the US-Japan Security Treaty led to the concept of anti-military activity for Japanese cultural. According to Bergar (2003) called "Japan's culture of anti-militarism" and later on became the concept of Pacifist which was stated in Section 9 of Japanese Constitution. For this reason, the foreign policy of Japan after 1945 emphasizes the definition of peace, which is the process of providing foreign assistance, investment, civilian action, non-military activity as well as human security norms. Japan is therefore described as a reactive state using the mechanism of foreign policy in responding to international situations and national needs more than just self-initiated (Workman, 2018 & ATNASSOVA-COENELIS, 2005). Therefore, Japan's foreign aid policy is considered to be a reflection of Japan's historical background, needs, and international circumstances, in particular, relations with the United States have made Japan respect and adhere to international norms in its ODA policy.

In another scholar's perspective who argued that internationalization was the context of Japan, they tried to express that the kokusaika (internationalization) and furusato (native place or hometown), they have a mutual relationship and it can refer to tradition and culture of Japanese which was a product of Japanese traditional life-style. It was self-contained, self-apparent identity and staying unchanged over time, historical, places, and geography. (Kurita, 1983 & Robertson, 1997). Meanwhile, internationalization of Japan referred to the context of Japanese culture which means the social basic values and national characterization. These cultural fundamentals are unique and different from other societies and Japan was attempted using it to be rightful in context of imperialism ideology in the war to represent its superiority to Western, in which the international norms seem to conflict with Japanese government's development goals. (Chalmers, 1983, p.6-7). So in view of internationalization or Kokusaika, which appeared since 1920 in Japan, it was a traditionally used in situations of transiting around the world at various times. Japan presented it in the form of the war and armed conflict or chaos in different regions of the world. It conveyed a sense of threat to political and military situations outside the boundaries of one state by using force to invade (Oliver, 2009). In 1960, after the war, the Japanese learned to adapt the Kokusaika concept to a Japanese economic miracle which re-represented the theme of the exotic Japanese's cultural. The rapid economic growth is a result of Japanese cultural capability which derived from the uniqueness of the Japanese and they promote their culture to economic life by consensus to collaborate with domestic sector; such as government, the political party, business sector as well as others economic interest group. In term of Japan's cultural capability referred to "rolling consensus, private collectivism, inbred collectivism, spiderless cobweb, and Japan, Inc" (Johnson, 1983, p.7). Thus, the cultural context of Japan has driven many Japanese policies, especially the phenomenal economic growth of Japan, wherever Japan is in any place in the world. The experience of making the economy strong, Japan has shown its need to help countries grow as their own. Therefore, ODA is a mechanism of cultural capability to the recipient countries.

Therefore, it is can be viewed that internationalization has no explicit definitions to identify. But in this study, in the term of involved in Japan's ODA, internationalization referred to the acceptance an idea and concept of universal norms which was adapted and developed to the implementation of Japan's ODA from Japan to the rest of the world, especially

recipient countries in the third world. It has led to the normalization of formal ODA donors and reflected to the idea of donation for development and it also represented how Japan respected in global norms and rebuild the Japanese’s image in friendly relation to other countries. Furthermore, Japan has been able to apply internationalization in the Japanese model to its foreign policy implementation properly, particularly in the ODA process, and to achieve its implications for Japan's national interests. Therefore, in my perspective, the internationalization of Japan is a way of adjusting the concept, form, approach, whether it is in Japan or in the context of the world at any given time but it is appropriate to Japan's foreign policy in the international stage. The policy of ODA is considered as an important tool that reflects the concept of internationalization.

3. Is it the Internationalization of Japanese’s ODA?

Considering the term of internationalization, it can visualize the ODA that has adapted international norms such as; promote democracy process, liberal economy, human rights, human security, poverty reduction, peace building, etc., which are a principle in providing ODA in developing countries around the world. As can be seen from the views of many Japanese leaders in the international arena to adopt the concept of international norm in human security issue as a cornerstone of Japan's ODA policy, for example, at the end of 1998, Minister of Japan Obuchi Keizo introduced the concept of human security, which became the basis of Japan's foreign policy. Obuchi expresses conception of security in terms of people instead of the state by proposing to create the 21st century a human-centered century, which Prime Minister Mori Yoshiro later attempted to develop the concept into a trust fund for human security (initially called the Human Security Fund) in 2001. Prime minister Koizumi Junichiro mentioned human security in International Symposium, with emphasis on dealing with other diverse threats to individuals due to armed conflicts, poverty and other socio-economic factors lead to hotbeds for terrorism. And in The Diet in January 2003, Koizumi has focused on human security in Japan's ODA policy (ATANASSOVA-CORNELIS, 2005, 64-66)

The democratization is the concept of global movement which was adopted by Japanese’s ODA. After a 2003 revision, the ODA Charter emphasized the importance of democracy assistance and when it was implemented, Japan gradually increased the amount of foreign aid that it provides specifically for democracy support. Japanese democracy assistance has

become an important principle in ODA under the official implementation of the Ministry of Foreign Affairs through the role of Japan International Cooperation Agency (JICA) which focuses on issues that are not involve in political, which is to development assistance in the issue of good governance (including the anti-corruption) and civil society development (Rahman, 2017, pp.36), since concept governance is a holistic view of systems and mechanisms influencing to the interactions between government, civil society, private sector (Miyahara, 2011, pp. 67). Japanese democracy assistance has become an interesting issue, particularly as democracy is challenged by the threat of authoritarianism in several transitional countries (Diamond, 2015). In particular, the importance of promoting democratization in Southeast Asia which is an important strategy for Japan. ODA related to the democratic process was included in both the 1992 and 2003 ODA charter, and Japan implemented ODA for multilateral and bilateral democratic assistance that could be implement through signing agreement between the government of the recipient countries and the government of Japan in the form of grants and loans (ODA Loan). Grant aid and technical cooperation mechanism was supported by cooperation activities within the Japanese authorized institutions with the government or agencies in the recipient countries or even supported grants aid for Japanese NGO project which operates in the recipient countries (Rahman, 2017, pp. 40) etc., In addition, the ODA charter focuses on human rights, liberal economy, global issues such as environment, peace building as well as avoiding military purpose or conflict avoidance.

It can be said that the ODA policy of Japan, adapted the concept of internationalization into its principle to implement its ODA to the recipient countries, which are explicit in the objectives of action, for instance; poverty reduction, sustainable growth, concern with global issues such as environment, terrorism, disasters which is implemented as a prioritize assistance within human needs, humanitarian as well as self-help. The Japanese’s leaders always explicitly promoted and adapted the international norms toward the implementation of ODA.

In implementing the policy in several times, there is a deviation from the stated ODA principle, in term of democracy assistance in this study, it was a development assistance and part of Japanese’s ODA which was designed to support governance and civil society (Rahman, 2017, p. 37). In the case of democracy assistance issue towards Southeast Asia,

the role of Japan in democracy assistance still less. Although over the past 20 years, Japan has been a progressive country in democracy assistance management, but the contribution is also in a low profile (Ichihara, 2013, pp. 11). A study by Rahman (2017) suggests that the amount of ODA disbursement into democracy assistance sector, especially, good governance and civil society sector toward the Southeast Asia Countries in 2008-2013 is dynamic all the time. In 2009, the amount of Japanese democracy assistance decreased from 2008 to 1.20% of Japan's total ODA. However, in 2011-2012, the amount of Japanese democracy assistance increased 2.94% and 3.96%, respectively, and decline again in 2013. In 2011-2012, the amount of Japanese democracy assistance increased significantly due to effected from Arab Spring in the middle east. It shows that how Japanese government understands the importance to be involved in supporting democracy activities all around the world. The results indicate that the amount of ODA provided since 2008-2013 to support good governance and civil society is USD281.72million or 0.94%, is very little when compared to the total amount of ODA in the Southeast Asia region at USD29,909.79 million, reflecting that Japan has a low profile in practice to democratic assistance. (Rahman, 2017).

In Japan aid policy to Sub-Saharan Africa, the Japanese ODA Charter explicitly emphasizes to the importance of working with recipient countries that respect, protect and fulfil human rights which is the Japan's effort to internationalize its foreign policy. But the study of Japan's aid policy in Sub-Saharan Africa showing that Japan became a top ODA provider to Sub-Saharan Africa in order to achieve economic and social change in the sub-continent. Countries in those subcontinents also have problems of economic and political instability, including human rights abuses. Japan implemented an application of the principles of the ODA charter like a carrot-and-stick. The decision to increase aid to African countries depends on the observation of their political climate that there is an expanding democratization and stopping the assistance will have to go through the consultation process. However, Japan's role as a top donor country and its influence was not the factor to pressure its aid's recipient countries to take any action in political development, for example of Kenya and Nigeria showed that although Japan is a major donation to both countries (Nigeria in 1990 and 1992 as well as Kenya in 1991), it does not mean that Japan can have influence in the political development in those countries, even though they were sanction from Japan. Despite the ODA Charter was used to countries where democratic processes were destroyed or human rights abuses from the government, in the case of

Kenya, Japan began to respond after the chaos occurred in the country and international criticism. The sanction process was short-lived before returning to continue the assistance program again in 1993. In the case of Nigeria, when the country returned to military dictatorship in 1993, Japan did not take action to aid suspension until it had imposed any action of sanction or another from other donor countries in 1994 (Eyinla, 1999). So, from this research pointed out the status of donor cannot influence the economic, political and human rights changes in sub-continent countries. Although, Japanese's ODA is providing aid to political process which was used to support democracy and market economy, to respect and protect human rights as well as environmental, but ODA's process of reducing aid to Kenya and Nigeria is pursued by foreign pressure rather than the application of the principles of the ODA Charter.

In case of the Nam Theun II dam in Laos, in the study of Hirsch (2002) points to the impact of human rights and environment on dam construction and Japan had the proportion of investment in this project. The Nam Theun II River is a high-biodiversity, comprising 28 ethnic group in 22 communities. The construction of the Nam Theun II Dam effected in destruction of the natural environment including such areas as traditional areas of minorities. But the Lao government ignored the issue of indigenous status. Life is completely changed in addition to the effects of dam construction have led to changes in the direction of the tides, as well as the shortage of water nearby. In this study, human rights are inequality in the distribution of values and geographic benefits (Hirsch, 1988). Thus, in this case illustrates the weakness of civil society and its stakeholder groups that have been diminished by their government. The project decisions can not overlook the issues which affecting the environment and human health rights. The case of Nam Theun II dam construction is another example of the ignorance of activities that do not comply with ODA principles, even though, there are still issues of human rights abuses. and environmental degradation due to the construction of a dam with a portion of investment from Japan.

The concept of securitization and military was specialized in the revision of 2015 ODA charter. Although, the previous ODA charter clearly defined the avoidance of military activities, but, when the concept of securitization in Japan began to be promoted, as well as the concept was filled into Japan's ODA (Carvalho & Potter, 201; Jain, 2016; Yoshimatsu

& Trinidad, 2010), after 2001, and continued until the amendment of the ODA Charter in 2015, referring to ODA as a fundamental policy pertaining to national security (Cabinet Office, 2013, 2). Therefore, the revision of ODA charter in 2015 in line with Japan's national interests in term of security shown the trends of ODA securitization, such as providing a semi-military operation in the form of coast guard patrol ships for the Philippines, Indonesia and Vietnam (Jain, 2016). Thus, this is a significant change in policy and implementation of ODA which emphasized the concept of securitization to accomplish the national interest, however, but the activity began to shift into military activities which is not in the direction of the ODA principle.

4. Conclusion

This research is an attempt to study the internationalization to the implementation of Japan's ODA policy. ODA policy is an important tool that reflects the Japanese concept of internationalization to implement in its foreign policy, particularly in the ODA process, and in achieving its national interest. ODA Charter currently adopts international norms as a guiding principle in the implementation of ODA policy. But from literature review found significant implications for the implementation of ODA policy in many cases where there was a deviation from the stated principles when applied. Whether it be an example of democracy assistance which Japan has a low profile in practice, the human rights issue which is the status of donor cannot influence the political and human rights changes in sub-continent countries. In Laos, there are also human rights abuses and environmental degradation due to the construction of a dam with a portion of investment from Japan, as well as the initiation of quasi-military activities as a result of the revision of ODA charter which focused on securitization issues.

Bibliography

- ATANASSOVA-CORNELIS, E. (2005). Japan and the “Human Security” Debate: History, Norms and Pro-active Foreign Policy. *Graduate Journal of Asia-Pacific Studies*, 3(2), pp.58-74.
- Berger, Thomas U. (2003). Power and Purpose in Pacific East Asia: A Constructivist Interpretation. In G. John Ikenberry and Mile Mastanduno, (eds.) *International Relations Theory and the Asia-Pacific*. New York: Columbia University Press, pp. 387-420.
- Cabinet Office. (2013). National Security Strategy (Provisional Translation). Tokyo: Government of Japan, December 17.
- Carvalho, P. & Potter, D. M. (2016). Peacebuilding and the Human Securitization of Japan’s Foreign Aid. In S. Brown and J. Gravingholt, (eds.) *The Securitization of Foreign Aid*. New York: Palgrave Macmillan, pp. 85-112.
- Chalmers, J. (Spring 1983). The “Internationalization” of the Japanese Economy. *California Management Review*, 15(3), pp.5-26.
- Chen, X. (1992). Occidentalism as Counterdiscourse: “He Shang” in Post-Mao China. *Critical Inquiry*, 18(4), pp. 686-712.
- Comaroff, J. & Comaroff, J. (1992). *Ethnography and the Historical Imagination*. Boulder, CO: Westview Press.
- Diamond, L. (1992). The Global Imperative: Building a democratic world order. *Current History* 93, 579.
- (January 2015). Facing Up the Democratic Recession. *Journal of Democracy*, 26(1), pp. 141-155.
- Ehara, T. (1992). The Internationalization of education. In: Hook, G. D. et al (eds.) *The Internationalization of Japan*. London & New York: Routledge, London & New York.
- Eyinla, B. M. (1999). The ODA Charter and Changing objectives of Japan’s aid policy in Sub-Saharan Africa. *The Journal of Modern Africa Studies*, 37(3), pp. 409-430.
- Falk, R. (1992). American hegemony and the Japanese challenge. In Hook, G. D. & Weiner M. A. (eds.) *The internationalization of Japan*. London and New York: Routledge, pp. 32-62.
- Gamble, A. (1992). Internationalization and the National Economy: the British case. In

- Hook, G. D. & Weiner M. A. (eds.) *The internationalization of Japan*. London and New York: Routledge, pp. 15-31.
- Hirata, K. (2002a). Whither the Developmental State? The Growing Role of NGOs in Japanese Aid Policymaking. *Journal of Comparative Policy Analysis: Research and Practice*, 4(2), pp.165-188.
- Hirsch, P. (1988). Dammed or Damned? Hydro-Power versus People's Power. *Bulletin of Concerned Asian Scholars*, 20(1), pp. 2-10.
- (2002). Chapter 7: Global Norms, Local Compliance and the Human Rights-Environment Nexus: A Case Study of the Nam Theun II Dam in Laos. In Zarsky, L. (eds.) *Human Rights And The Environment: Conflicts And Norms In A Globalising World*. London: Earthscan/James & James, pp. 147-171.
- Huda, M. I. B. M. (2016). Evolution of Japanese ODA 1945-2015: An Analysis. *International Journal of East Asian Studies*, 5(1), pp.14-28.
- Ichihara, M. (2013). Understanding Japanese Democracy Assistance. Washington D.C.: *Carnegie Endowment for International Peace*.
- Jain, P. (2016). Japan's Foreign Aid: Old and New Contests. *Pacific Review*, 29(1), pp. 93-113.
- Japan Forum on International Relations (JFIR). (1998). The Policy Recommendation on Japan's ODA in the 21st Century. Tokyo: JFIR.
- Japan Institute of International Affairs (JIIA), ed. (1993). The White Paper of Japan: Annual Abstracts of Official Reports of the Japanese Government. 1991/92. Tokyo: JIIA
- Johnson, C. (1983). The Internationalization of the Japanese Economy. *California Management Review*, 25(3), pp. 5-26.
- Kamidohzono, Sachiko G., Oscar A. Gomez., Mine, Y. (2016). Embracing Human Security: New Directions in Japan's ODA for the 21st Century. In H. Sato, J. Page, and Y. Shimomura, (eds.) *Japan's Development Assistance: Foreign Aid and the Post-2015 Agenda*. New York: Palgrave Macmillan, pp. 205-221.
- Kato, H. (2016) Japan's ODA 1954–2014: Changes and Continuities in a Central Instrument in Japan's Foreign Policy. In: Kato H., Page J., Shimomura Y. (eds.) *Japan's Development Assistance*. London: Palgrave Macmillan, pp. 1-17.
- Katzenstein, Peter J. (2008). Japan in the American Imperium: Rethinking Security. *Asia Pacific Journal: Japan Focus*, 6(10) October 3, pp.1-15.
- Kawasaki, T. (2014). Sixty Years of Japanese ODA. *Highlight Japan*, Agustus 6.

- Kurita, I. (1983). Revival of the Japanese Tradition. *Journal of Popular Culture*, 17 (1), pp. 130-4.
- Lincicome, M. (1993). Nationalism, Internationalization, and the Dilemma of Education reform in Japan. *Comparative education review*, 37(2), pp. 123-51.
- Miyahara, C. (December 7-9, 2011). JICA's Approach to Good Governance and Anti Corruption. *United Nations Asia and Far East Institute for the Prevention of Crime and the Treatment of Offenders (UNAFEI)*. Retrieved from http://www.unafei.or.jp/english/pdf/PDF_GG5_Seminar/GG5_Adviser1.pdf.
- MOFA. 2015a. Japan's International Cooperation: White Paper on Development Cooperation 2015. Tokyo: Government of Japan.
- . 2015b. Cabinet Decision on the Development Cooperation Charter. Tokyo: Government of Japan, February 10. Retrieved from www.mofa.go.jp/policy/oda/page_000138.html
- Ninomiya, A., Knight, J., Watanabe, A. (2009). The Past, Present, and the Future of Internationalization in Japan. *Journal of Studies in International Education*, 13(2), pp. 117-124.
- OECD. (1994). The OECD Jobs Study: Facts, Analysis, Strategies (1994). Retrieved from <https://www.oecd.org/els/emp/1941679.pdf>
- Oliver, C. (2009). Kokusaika, Revisited: Reinventing "Internationalization" in Late 1960s Japan. *Sophia Junior College Faculty Journal*, 29, pp. 47-54.
- Orr, R. (1990). The Emergence of Japan's Foreign Aid Power. New York: Columbia University press.
- Rahman, I. (January 2017). Norms and Values in Japanese Democracy Assistance towards Southeast Asia Countries, 2008-2013. *Journal of Society and Governance*, 1(1), pp. 35-52.
- Robertson, J. (1997). Empire of Nostalgia Rethinking "Internationalization" in Japan Today. *Theory, Culture & Society*. SAGE, London, Thousand Oaks and New Delhi, 14(4), pp. 97-122.
- Stein, H. (1998). Japanese Aid to Africa: Patterns, Motivation and the Role of Structural Adjustment. *The Journal of Development Studies*, 35(2), pp.27-53.
- Takemi, K. (2002). Presentation for Session I: Evolution of the Human Security Concept. In: Pamela J N., ed., *Health and Human Security: Moving from Concept to Action—Fourth Intellectual Dialogue on Building Asia's Tomorrow*. Tokyo: Japan Center for International Exchange. pp. 42-51.

Yamaguchi, T. (February, 1988). The Challenge of Internationalization: Japan's Kokusaika. *The Academy of Management Executive* (1987-1989), 2(1), pp. 33-36.

Yoshimatsu, H. & Trinidad, D. D. (August, 2010). Development Assistance, Strategic Interests, and the China Factor in Japan's Role in ASEAN Integration. *Japanese Journal of Political Science*, 11(2), pp. 199-219.

Welch, L. (December, 1988). Internationalization: Evolution of a concept. *Journal of General Management*. 14(2), pp. 34-55.

White, J. (1964). Japanese Aid. London: Overseas Development Institute.

Workman, S. L. (2018). International Norms and Japanese Foreign Aid. *Asian Perspective*, 42, pp. 85-120.

International Competitive Advantage of Tuna Canneries: A Comparative Study between Indonesia and Thailand by Using Porter's Diamond Model

Muhammad Shobaruddin

mshobaruddin99@gmail.com

Abstract

Since 1970s, canned tuna industries have been proliferating in Southeast Asian countries, especially in Thailand and Indonesia. Thailand has remarkable performance in developing this industry instead of its competitors, including Indonesia. This research mainly objected to compare key factors influencing competitiveness of tuna canneries based in Indonesia and Thailand. Diamond Models initiated by Michael Porter was adopted as a conceptual framework. Diamond Models analyzed competitive advantages of industries in a country, by analyzing internal factors, namely factor conditions; demand condition; related and supporting industries; and firm's strategy and rivalry. Then, external factor measures government intervention and chance which determined by importers. By comparing both internal and external factors of competitive advantages, this work found that Thai tuna canneries have better competitive advantages than Indonesian in almost measured factors. Indonesian tuna canneries only have a better competitive advantage in factor condition, which labor wage is lower and more accessible. To foster canned tuna industry's competitiveness, Indonesia should learn from Thailand.

1. Introduction

The world demands of canned tuna are significantly increased due to having a competitive price (generally lower than other forms of traded tuna) as well as containing a lot of proteins. In 2012, a half of 2.5 million Metric Ton (MT) tuna global catch is sent to the canning industry (Rahmah. 2016). Although both Indonesia and Thailand have commenced developing canned tuna industry since the 1970s, the number of production and export of Indonesian and Thai tuna canneries significantly different.

This study attempts to compare the determinant factor influencing tuna canneries performance in Indonesia and Thailand. Then, this work will elaborate the appropriate lesson learned of Thai tuna canneries development in Indonesia, since Thai experience

massive canned tuna development in the last two decades. This work will employ a Diamond Model of Michael Porter (1990) as guidance in explaining competitive advantages of canned tuna processors in both analyzed nations.

2. Background and significance of the study

Thailand commenced its cannery from one cannery in 1972 to 31 in 2005 when its export reached 450,000 tons. Since the industry was able to annually produce 800,000 tons and dominated canned tuna in the world market, Thai canneries employ 40,000 workers (Kuldilok, et al. 2013). Meanwhile, the Indonesian canned tuna industry faced unimpressive development in term of production and export volume. Indonesian canneries are only able to export around 70,000 tons per years during each period of operation. According to the Food and Agriculture Organization (FAO), Thai canned tuna export has increased dramatically since the last three decades from around 200,000 tons in 1989 to approximately 600,000 tons in 2016. Compared to Indonesian export volume, which steadily around 30,000 tons in 1989 and slightly increased to approximately 70,000 tons in 2016, Thai canneries experienced remarkable performances. Therefore, Thailand dominated 38% of the global canned tuna market, whereas Indonesia contributed only less than 5% of the global canned tuna market (ASTUIN, 2017).

The Indonesian government under the Ministry of Marine and Affairs and Fisheries targeted fishery productions are able to increase from 24.12 million tons in 2015 to 39.97 million tons in 2019. Besides, the Indonesian government has an ambitious export acceleration on fisheries value product from USD 6.82 billion in 2016 to USD 9.54 billion in 2019 (IMFB, 2017). According to the information, author eager to focus on canned tuna industry development in Indonesia since this commodity is important to Indonesian fisheries as well as possess higher export value. In addition, tuna has significantly contributed to Indonesian national income, it becomes the second largest exporting fishery commodity after shrimp with exporting value more than 406 million USD in 2016 (IMFB, 2017).

This research attempts to find the reasons behind the remarkable performance of Thai canned tuna industries compare to Indonesia despite both countries commenced the industry sector for the same period.

2.1 Research Objectives:

These are several aims of the work:

- 1) Analyzing determinant factors influencing canned tuna industries
- 2) Finding the relationship between internal and external determinant factors toward tuna canneries development
- 3) Comparing competitive advantage of canned tuna processors in Indonesia and Thailand

2.2 Research Question:

This work mainly attempts to answer how the internal and external factors of competitive advantages influence tuna canneries development in Indonesia and Thailand?

3 Literature Review

3.1 Introduction

This research utilizes a diamond model which was introduced by Michael E. Porter (1990) to measure industry competitiveness in a certain country. The Diamond model calculated that the competitive advantage of industries, mainly influenced by four determinant factors, namely factor condition; demand condition; related and supporting industries; and firm strategy, structure, and rivalry. In addition, the diamond model perspective measure two external factors which also influence national competitive advantage, namely chance and government intervention.

3.2. Determinant Factor of Tuna Canneries Development

3.2.1. Factor Condition

According to Porter's diamond model condition factor explained as the nation's position in factors of production. Regarding canned tuna industries, Campling and Doherty (2007) compared the labor cost in some canned tuna exporters. This work finds that low labor cost accelerated canned tuna industry development in Thailand. The lower labor cost meaning that production cost should be lower and lead to a more competitive price of the product. This finding was supported by Kuldilok, et al. (2013) which argue that low labor cost becomes the key competitive advantages of Thai tuna canneries.

Another aspect categorized as production factors in canned tuna development is frozen tuna. Julintron, A. & Chalatravat, S. (2007) explained that Thailand imported approximately 82% of raw tuna materials, while the rest at around 18% is relied on local vessel caught. Indian Ocean Tuna (IOT) stated that the average share for Skipjack/Yellowfin in the cost of the final canned tuna is around 46%. Consequently, the lower raw tuna price will enable the canneries to have better competitive advantages of production cost and vice versa.

3.2.2. Demand Condition

Porter (1990) explained that demand may come from domestic or global demand. In terms of canned tuna, particularly in Indonesia and Thailand domestic demand less influence since the industry concerned with the foreign market or export-oriented. According to UN Comtrade compiled by ASTUIN (2016), Indonesian canned tuna product mostly is served to the foreign markets, such as Saudi Arabia, Japan, the US, and the UK. Thai canned tuna product mostly also supplies to global markets, particularly in the US, Egypt, Australia, the EU, and Japan (FAO, 2016). In addition, Campling (2015) assessed emerging alternative canned tuna market for canned tuna exporters from Pacific Island Countries (PIC). Campling measured the potency of the alternative canned tuna market include Australia, China, Japan, Latin America, the Middle East, and North Africa, South Africa, and Russia.

3.2.3. Related and Supporting Industries

Porter assumed that the presence of competitive industries in a country that is related often promotes new competitive industries. In terms of canned tuna industries, can industry become crucial which determine the competitiveness of canned tuna processors. Campling and Doherty investigated can price in Mauritius, Seychelles, and Thailand maps found that can price in Thailand 25% cheaper than in Mauritius and Seychelles. This impact to price advantage of Thai product with 5% lower since can price counted as the second most expensive input into canned tuna production. Hayes (2005) cited that there are 30 can producing companies located in Thailand in 2005. Consequently, domestic can supply will impact to cheaper production cost toward Thai tuna processors. Campling, Havice, and Ram-Bidesi (2007) speculated that lower can price in Thailand lead to FDI flow, especially from the US much higher to Thai tuna canneries instead of to the other processors such as China, the Philippine, and Vietnam. In Indonesia, tuna canneries are supported by abundant domestic fishing fleets as well as fishing ports (IMFB, 2017).

3.2.4. Firm Strategy, Structure, and Rivalry

Michael Porter claimed that each nation poses various goals, strategies, and ways in organizing industries. Hamilton et al. explained that two canned tuna producers play dominant roles in Thailand, namely Thai Union (1,000 mt/day) and Sea Value (850 mt/day). In 2006, Sea Value undermined Thai Union position as the Thai (even world) largest canned tuna producers since this cannery merger with two Thai Union’s major rivals, ISA Value and Unicord.

Unlike Thailand, which canned tuna processors dominated by two major canneries, Indonesian tuna canneries possess the equal production capacity approximately 5,000 to 30,000 mt per annum for major 6 processors and 1,000 to 6,000 mt per annum for minor processors (Hamilton, et al). Campling, Havice, and Ram-Bidesi (2007) argued that Indonesian tuna canneries split up across the country increase transshipment cost between processors and market access. Meanwhile, Thai tuna canneries which concentrated in Bangkok as an industrial cluster provide the processors with very competitive sea freight rates.

3.3. Additional Determinant Factors

3.3.1. Chance

Non-tariff barrier (NTB) measurement/standard become an external factor which influence tuna canneries development (Porter, 1990). Campling and Doherty’s work revealed that the EU authorities alleged that the Thai canned tuna product mostly failed to comply EU Sanitary and Pre-Sanitary (SPS) requirement, which is mean that tuna raw materials processed by Thai canneries caught by unreliable vessels. This information supported by Greenpeace (2016) which confirmed that some of the Southeast Asian tuna canneries failed to comply with traceability and sustainability procedure in accessing raw materials. Rahmah (2016) researched trade flows and the impact of the standard imposition towards three major canned tuna exporter in Asia, namely Indonesia, Thailand, and the Philippine. According to the result from gravity analysis with Poison Pseudo Maximum Likelihood (PPML) method, the stricter standard imposition reduces canned tuna trade flow from those three countries.

3.3.2 Government Intervention

According to Porter's diamond model, government intervention also contributed to national competitive advantage. Porter speculated that the government can intervene (and be intervened by) each of the four internal determinants either positively or negatively.

3.3.2.1. Import Tariff Duty

In canned tuna industries, government's roles in negotiating import tariff duty become the crucial factor which determines tuna canneries development. Campling (2015) found that tariff duty significantly benefits to canned tuna exporter to boost the export volume and value in the Japanese market. The most two competitive canned tuna exporter, namely Thailand and Philippine already have a preferential tariff to the Japanese market. Canned tuna exported by Thai processors dominated the Japanese market due to zero tariff duty for this product under Japan Thailand Economic Partnership Agreement (JTEPA) implemented in 2007.

3.3.2.2. Import Quota of Frozen Tuna

Hamilton, et al researched that one of the determinant factors of massive Thai tuna canneries development is a Thai government policy on allowing raw tuna imports. In the absence of sizeable domestic purse seine fishing fleet, the Thai government allows Thai canneries to import frozen tuna from the other country which enable canneries to produce canned tuna as much as their capacity. Unlike the Thai government, the Indonesian government as cited by Ginoga (2017) allows domestic tuna canaries import raw materials 20% of total production capacity. As a result, some Indonesian canneries are able to produce only 50% of their total capacity. The lower raw tuna reservoir leads to lower production capacity of canned tuna processors and influence industry competitiveness to serve demand.

3.4. Conclusion

According to the diamond model initiated by Michael Porter, national competitive advantage influenced by four major factors and two additional external factors which interconnected each other. In case of canned tuna industry, existing related work revealed that Indonesian and Thai tuna canneries possess similarities as well as differences in

competitive advantages. However, there is no specific work which comprehensively scrutinized tuna canneries development in Indonesia and Thailand.

4. Methodology

4.1. Research design and scope

This study designed in a qualitative method in order to investigate the factors influencing canned tuna industry development in Indonesia and Thailand by comparing determinant factors of canneries development in both countries using the porter's diamond model.

There are several reasons why author interest to compare tuna canneries in Indonesia and Thailand. Firstly, both Indonesia and Thailand started tuna canning industries in the same period (1970s). However, both countries have different performances in term of production and export volume. Secondly, Indonesia and Thailand possess similar competitive advantages in term of low labor cost in this industrial sector. The last, as ASEAN members both countries involved multilateral free trade agreement with ASEAN's trading partners. Besides, both countries conducted bilateral Free Trade Agreement (FTA) with major canned tuna importers such as Japan and Australia. Those reasons confirm that comparing tuna canneries development in Indonesia and Thailand should be relevant.

This work specifically analyzed the competitive advantages of both canned tuna exporters in 10 years period of time between 2008 and 2017. This is due to several reasons. First, European Union as major importer started imposing Generalized System of Preference Plus in 2007 toward canned tuna product from the two analyzed countries which significantly impact to canned tuna traded flow into the EU (Campling & Doherty, 2007). Second, both countries officially ratified Free Trade Agreement particularly with Japan in 2007 (Rahmah, 2016). Third, information and data availability of canned tuna produced and traded by tuna canneries based in Indonesia and Thailand.

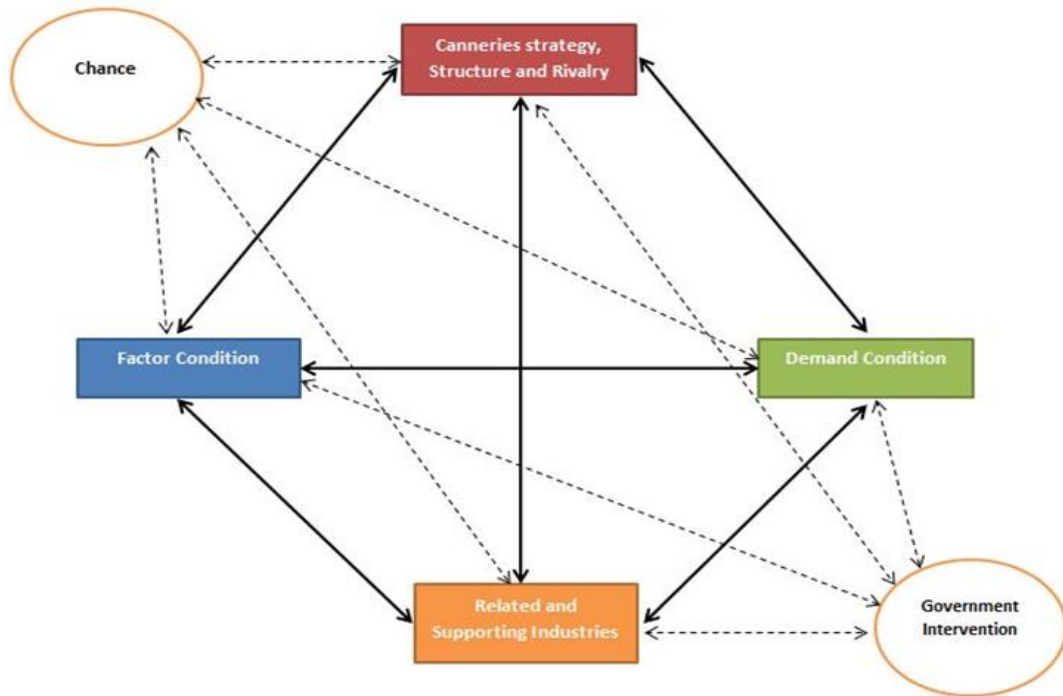
4.2. Data collection and content analysis

The research mainly utilized the secondary data through a library research approach, including Indonesian Marine Fishery Book (IMFB), Food and Agriculture Organization (FAO), International Monetary Fund (IMF), Indonesian Tuna Association Industries (ASTUIN), the Ministry of Commerce of Republic Indonesia, the Ministry of Commerce of Kingdom of Thailand, Thammasat University e-Journals Library and online news or articles.

4.3. Conceptual framework

Fundamentally, this conceptual framework introduces a diamond model to analyze the competitiveness of canned tuna industries based in Indonesia and Thailand in a systematic and comprehensive way. The figure below depicts how each determinant factor interconnected each other and lead to the competitive advantage of a company.

Figure 1. Diamond Model of Michael Porter (1990)



Source: Michael Porter (1990)

5. Comparison and findings

5.1. Factor condition

In terms of factor condition, labor cost and raw material access considered as the major factor in determining canned tuna industry development. Indonesian minimum labor wage is around 174 USD per month, this number is lower compared to other canned tuna processors in ASEAN, such as the Philippines and Thailand, which is 206 USD and 357 USD respectively (ILO, 2014). Indonesian tuna canneries are supplied by abundant domestic workers, whereas Thailand hires migrant workers from neighboring countries such as Myanmar and Cambodia. Campling and Doherty (2007) estimated the data from Thai government office stated around 50% of labor in Thai tuna processors are migrant worker

from Myanmar. Migrant workers from Laos and Cambodia also hired on Thai canneries sectors (Kuldilok, 2009). Migrant worker impact to higher labor cost since the transaction cost involved in sourcing migrant workers, including transport to Thailand, agency service fee, local government registration, and housing (Hamilton, et al. 2011). Therefore, Indonesian canned tuna processors have better competitiveness since the country is able to supply abundant cheap labor force instead of Thailand.

Raw material access is also counted as factor condition influencing the performance of canned tuna processors. Indonesian canned tuna canneries rely on domestic raw material caught by local vessels. Meanwhile, Thai canned tuna processors imported around 85% of in accessing raw tuna since the number of domestic tuna vessels was limited. The unpredictable of imported raw materials price influenced canned tuna processing in Thailand. This uncertainty makes Thailand has competitive disadvantages compared to its competitors (Kuldilok, 2013). Nevertheless, the strategic geographical location for dispatching lead Thailand to access low-cost supplies of raw tuna, both from the Pacific and the Indian ocean (Campling & Doherty, 2007). Moreover, the majority of Thai tuna canneries based in and around Bangkok which allow them to import raw materials as well as export their final product efficiently.

5.2. Demand condition

Domestic demands for canned tuna product in both Indonesia and Thailand are limited. Therefore, tuna canneries in the two analyzed countries rely on global demand. According to the data provided by UN Comtrade, the three major canned tuna importers namely the US, European Union (Italy, UK, Spain, France, and Germany), and Japan remain stable in consuming canned tuna during the last few years (see. Table 1.). Those three importers are the main export destination countries of Thai and Indonesian canned tuna product (Hamilton, et al). In addition, global demand for canned tuna product has remained secure since the import volume in new emerging markets significantly increased. Australia and China were the new canned tuna importers where Thai and Indonesian product dominating the market. Canned tuna consumption rapidly increased between 2010 and 2013 in Australia and China, 47% and 92% respectively (UN Comtrade, 2015). Thailand dominates Australian market 90-97% share from 2010 to 2014 and followed by Indonesia as the second largest supplier (Campling, 2015).

In general, global demand for canned tuna product which consistently escalated benefit to canned tuna processors to boost their export volume and value.

Table 1. Canned tuna traded inflow by three major importers

Country	2017		2016		2015		2014	
	Volume (mt)	Value (mil USD)	Volume (mt)	Value (mil USD)	Volume (mt)	Value (mil USD)	Volume (mt)	Value (mil USD)
The EU	542,969	2,775	483,468	2,194	515,703	2,389	514,574	2,859
The US	205,497	976	194,812	839	202,941	908	236,868	1,099
Japan	62,962	346	60,396	299	54,538	270	54,256	297

Source: UN Comtrade, 2018

5.3. Related and supporting industries

Related and supporting industries defined as firms that coordinated and cooperated in the value chain of canned tuna productions or those that involve complementary products. The main related industries are cold storage, shipping, ports, packaging, logistics, and fishing sectors (Kuldilok, 2013). Indonesian canned tuna industries supported by around 600,000 tuna vessels operated across the country. Moreover, the abundant domestic tuna vessels are also supported by fishing port which separately located across the country, such as Bitung, Sorong, Kendari, Ternate, Ambon, and Biak for Eastern Indonesia, and Muara Baru (Jakarta) as well as Telok Benoa (Bali) for Western Indonesia (Rahmah, 2016).

Nevertheless, canned tuna processors as well as the fishing port which widely dispersed lead to higher transportation costs. Therefore, it influences the less competitiveness of production cost to Indonesian canned tuna industries (Hamilton, et al).

In the case of Thai tuna canneries, the number of domestic vessels is limited due to two reasons. First, the high cost of investment in fishing vessels. Second, the scarcity of fisherman, crew, and expert captain (Kuldilok., 2013). However, the huge number of foreign vessels, particularly from Taiwanese, Chinese, Indonesian, Vanuatu, Malaysian, Belizean, Indian, and Bolivian, supply abundant raw materials for Thai tuna canneries. The whole

catch of foreign vessels unloaded in Phuket soared from 1,416 MT in 1995 to 5,846 MT in 2014 (Nootmorn, 2015). This is indicated that limited domestic vessels do not give negative impact on Thai tuna processors' competitiveness since there are abundant raw materials supplied by foreign vessels.

Thai tuna industries are supported by sophisticated relating industries. First, some large processors have efficient cold storage to keep frozen tuna in good condition before processing. Second, canning factories are mainly situated near ports for efficient transshipment. Third, there are about 20 companies which produce can. Moreover, Can processors increase to 30 companies in 2005 (Hayes). Thus, supporting industries and facilities significantly escalate the competitiveness of tuna industries in Thailand (Puttipokin, 2001).

5.4. Firm's strategy, structure, and rivalry

Michael Porter (1990) claimed that each nation poses various goals, strategies, and ways in organizing industries. A compatible industries organization with sources of competitive advantage in a particular industry leads to national advantage. Then, domestic competition significantly contributes to the process of innovation and the ultimate prospect for international success.

In terms of firm structure, Indonesian and Thai tuna processors have a different pattern. Indonesian canned tuna industries have equal production capacity, whereas Thai canned tuna industries are an oligopolistic market (Hamilton, et al.). Consequently, dominant producers in Thailand become a price leader while other smaller companies are price-follower (Kuldilok, 2013). The two canned tuna producers play dominant roles in Thailand, namely Thai Union (1,000 mt/day) and Sea Value (850 mt/day). Unlike Thailand, which canned tuna processors dominated by two major canneries, Indonesian tuna canneries possess the equal production capacity approximately 5,000 to 30,000 mt per annum for major 6 processors and 1,000 to 6,000 mt per annum for minor processors (Hamilton, 2011). Thai canneries are engaged in several complex-production export strategies. Research and Development and product innovation had become a major strength of the Thai industries since 1990 (Campling, et al. 2007). Then, by centralizing the canneries in Bangkok, Thai tuna canneries get access to raw materials and export transshipment effectively and efficiently.

Diversification of production is another strategy implemented by the canned tuna industry in Thailand. The majority of canneries are not solely produced canned tuna. They are all diversified into either the processing of other seafood, in order to allow Thai canneries to cross-subsidize between different production lines. Then, if canned tuna price drop, the firm still can obtain profitability through another product while maintaining economies of scale through canned tuna production (Campling, et al.).

In contrast, Indonesian tuna canneries which situated separately in East Java, Bali, Sorong, and Biak lead to the difficulties in accessing raw materials as well as export transshipment. Therefore, the non-strategic colocation influence to the less competitiveness of Indonesian canned tuna industries (Hamilton, et al.). Nevertheless, in terms of Research and Development, Indonesian canneries have been collaborated with national universities to increase labor capacity, especially in managerial and technology application. Besides, the government also established a National Tuna Commission (Komite Tuna Nasional/ KTN) to deal with any constraints in exporting Indonesian canned tuna product to the other countries. In addition, KTN comprehensively and systematically coordinated with national stakeholder related tuna production. The main goal of KTN is developing tuna industries by providing production and research policies (Cahya, 2010).

In case of rivalry, potential emerging canned tuna producers may jeopardize the existing canned tuna processors, especially for those which located do not neighbor the EEZs with abundant tuna resources such as China, Vietnam, and the Republic of Korea (Miyake, et al. 2010). Chinese processed tuna export more doubled from 24,000 mt in 2010 to 83,000 mt in 2015. Market expansion for canned tuna was prominent in the African region. In volume, Chinese canned tuna export almost equal to Indonesia (Anthonysamy, 2016). Vietnam also considered as an emerging canned tuna exporter that has been developed since the early 2000s. Vietnamese canned tuna export constantly increased, especially for the US market, which brought them as the third canned tuna supplier in the US, after Thailand and the Philippine in 2009 (Hamilton, et.al. 2011).

5.5. Chance

Kuldilok (2013) estimated that chance or usually defined as uncontrollable external factors, come from a requirement from importers, such as the requirement of standard and rules

of origin. In the international market, exporters need to comply with particular standards and regulations in order its product compatible with the requirement in the target market. In the fish and fishery trade, increasing complex standards have been established. Standards and regulations imposed by major canned tuna importing countries, such as Europe, US, and Japan (Rahmah, 2016). In terms of dealing with standard and rules of origin, tuna canneries based in Indonesia and Thailand still failed to comply. Greenpeace (2016) researched that majority of canned tuna processors in Indonesia and Thailand still fail in complying traceability and sustainability access in obtaining raw tuna.

The imposition of the standard by importers negatively impacts to canned tuna export from three major canned tuna exporter in ASEAN namely Indonesia, Thailand, and the Philippine. The imposition of specific requirements will reduce 42.76% canned tuna export. Then, national standard leads to 53.57% reduction of canned tuna export. When the importer imposes stricter standards, the reduction of canned tuna export is 70.91% (Rahmah, 2016).

5.6. Government intervention

Government intervention meaning that related regulations and related institution in supporting the development of the fisheries sector and canned tuna industries on the economic development and environmental sustainability (Fatma, 2015). If we are comparing tariff duties imposed by three major importers namely the EU, the US, and Japan toward canned tuna product from Indonesia and Thailand, Thailand have lower tariff duties (0%) to Japanese market instead of Indonesia (7.5%). Meanwhile, tariff rate imposed by the EU and the US are same at 20-24% and 6-12.5% respectively. The lower tariff rates translated into higher export volume and value to the importers (Campling, 2015).

Government's role in allowing raw materials import also significantly influence tuna canneries performance. Indonesian government only allows tuna canneries to import raw materials 20% of its production capacity. Therefore, when raw materials supplied by domestic vessels decreased, some of the Indonesian tuna canneries only able to produce half of its production capacity (Ginoga, 2017). In contrast, since Thai tuna canneries rely 85% on raw materials import, the government totally supports in accessing raw materials from global supply. The Thai government also expands their overseas fishing fleets by

cooperating with coastal state or joint venture partners (Kuldilok, 2013). Depending on imported raw materials allow Thai Canneries enjoy a huge number of raw material supplies, then, increase its productivity on maximum level.

6. Conclusion

In general, canned tuna industries in Thailand have better competitive advantages instead of Indonesian tuna canneries according to Diamond Model's measurement. By comparing both internal and external factors of competitive advantages, this work found that Thai tuna canneries obtain more positive influence of both internal and external factors than Indonesian. Indonesian tuna canneries only have a better competitive advantage in factor condition, which labor wage is lower and more accessible. Therefore, to foster the canned tuna industry's competitiveness, Indonesia should learn from Thailand.

Bibliography

- Anthonyamy, S.M. (2016). Asian tuna trade and market. Infofish Tuna. 2016.
- ASTUIN. (2017). World Top Fishery and Tuna Exporter 2012-2016. *Asosiasi Tuna Indonesia*.
- Cahya, I.N., (2010). Analisis daya saing ikan tuna Indonesia di pasar internasional. (An analysis study of Indonesian tuna competitiveness in tglobal market). Minithesis, Bogor Agricultural Institute (IPB).
- Campling, Havice, and Ram-Bidesi. (2007). Pacific island countries, the global tuna industry and the international trade regime – a guidebook. *South Pacific Forum Fisheries Agency (FFA)*.
- Campling, L. (2015). Assessing alternative markets: Pacific Islands canned tuna & tuna loins. *Pacific Islands Forum Fisheries Agency*.
- Campling, L. (2016). Trade politics and global production of canned tuna. *Marine Policy*, 69, 220–228.
- Campling, L., and Doherty, M. (2007). A comparative analysis of cost structure and SPS issues in canned tuna production in Mauritius/the Seychelles and Thailand: is there a level playing field?. *The Project Management Unit Regional Trade Facilitation Program*.
- FAO UN. (2016). Globefish highlight; a quarterly update of world seafood market. *Globefish FAO*, 4th issue.
- Fatma, E. (2015). Development of sustainable tuna processing industry using system dynamic simulation. *Procedia Manufacturing* 4, 107 – 114
- Ginoga, A.N. (2017). Analisis struktur perilaku dan kinerja industri pengolahan ikan dalam kaleng di Indonesia (periode tahun 1990-2014) (Structure analysis of behavior and work performance of canning fish processor in Indonesia (1990-2014).
- Greenpeace. (2016). From sea to can: 2016 southeast Asia canned tuna ranking. *Greenpeace Southeast Asia*
- Hamilton, et al. (2011). Market and industry dynamics in the global tuna supply chain. *The Pacific Island Forum Agency*
- ILO. (2016). Global supply chains: insight eto the Thai seafood sectors
- Kuldilok, S.K, et al. (2013). The export of competitiveness of the tuna industry in Thailand. *British Food Journal* 115.3

- Kuldilok, S.K. (2009). An economic analysis of the Thailand tuna fish industry. (Ph.D. Thesis), School of Agriculture, Food, and Rural Development, Newcastle University.
- Ministry of Marine and Affairs and Fisheries., JICA. (2017). Indonesian Marine and Fisheries Book.
- Miyake, et al. (2010). Recent development in the tuna industry; stock, fisheries, management, trade, and markets. FAO UN.
- Nootmorn, P. (2015). Thailand national report to the scientific committee of the Indian Ocean Tuna Commission, 2015. IOTC.
- Porter, M. E. (1990) The competitive advantage of nations. New York: Free Press.
- Puttipokin,P. (2001). An analysis of comparative and competitive advantage of Thailand canned tuna industry. (PhD Thesis) available from e-library of Kasetsart University.
- Rahmah, K.N. (2016) Trade flow analysis and the role of standard on canned tuna trade. (Master Thesis) available from Bogor Agricultural Institute Catalogue
- UN Comtrade Database. (2018). Available at <https://comtrade.un.org/>

Factors Effect Rose Industry Development in Cambodia

Nget Norin Rachny

rachny.n@gmail.com

Abstract

The Cambodia flower industry is increasing dramatically during the last three years, which is from 2015 to 2018. The demand for flowers is getting higher each year, and the usage of fresh cut flowers had changed from just for cultural purposes to a more modern one due to the influence of the modern-day lifestyle. Not only flowers that are used for cultural purpose are highly consumed, but also the type of flowers, decoration etc. Even though roses are not a part of Khmer traditional flowers, but the demand is very high for this flower. It is considered as a must have item in any of the flower shops along with many different varieties. Even though rose is one of the highly consume flowers in Cambodia, especially within the city of Phnom Penh, but it seems that the country does not have its own local supply for this flower at all. All roses that are in the market today are all imported from other countries stretching from Asia to Europe.

In this research, it will investigate about the factors that influence the change of consumption of roses, along with the factors that make Cambodia import roses from other countries and not willing to invest in the production instead. To be able to point out these factors, the study applies diamond theory to compare factors between Cambodia and other countries that are successful in rose industry such as China, Vietnam, Thailand for example, to find out what are the different factors between those countries. The research also conducts primary data gained through interview sessions with the officers from The Ministry of Agriculture of Cambodia and Ministry of Commerce to get to in-depth information about the rose industry and trade, together with survey with flower retailers in Phnom Penh and farmer in Cambodia. For the finding in this research, it will show the result from the comparisons that make Cambodia different from other countries as well as the challenges that Cambodia face in order to produce their own local roses. Lastly, this research also comes with the recommendation on why Cambodia should have their domestic rose supply, and how this can help to develop and support the flower industry and market within Cambodia.

1. Introduction

Flower is one of the symbols of beauty and poise. You can find flowers everywhere around the world, and it has been traded across the globe from Europe to Asia, the Middle East and more. People use flowers in various ways to serve their national tradition and cultural purpose such as for decoration, for praying to god or for casual purpose, namely a

decoration for your garden, decoration for event and celebration towards the trend of fashion and lifestyle and as a gift of celebration etc. Some might use flowers for medical purpose, as an ingredient in food, drinks, or even cosmetics and many more. For Cambodia in the old days people use flowers mostly for traditional purpose such as for praying to god as well as decoration for traditional ceremony such as wedding. In Cambodia the usage of flowers for wedding decoration has followed a dramatically upward trend in the past 5 years. Indeed, wedding decoration in the old days used to cost approximately from 800USD to 2,000USD, but nowadays the price and the size of flowers decoration has gone up to 8,000USD to more than 40,000USD per wedding.

However, apart from decoration, flowers are also being given as a gift in a small boutique or basket, and the most popular flower that can be used for almost all purposes is rose. Roses come in many colors, sizes and even scents. Every breed of roses from the original to hybrid roses has its own uniqueness. Different breeds of roses can be grown in different parts of the world based on its requirement of environment and climate. Different breeds and environments can result in different quality of roses. Roses supply in Cambodia are all imported from Europe and Asia countries Netherlands, Kenya, Thailand, Vietnam and China which is the biggest flower hub in Asia. China and Vietnam are ranked as the top rose suppliers for Cambodia. However, Thailand is the second hub for Cambodia since Thailand has bigger market and, at the same time, flowers from China have to be transported through Thailand before reaching to Cambodia.

In Asia, China is one of the most successful examples when it comes to floriculture. Yunnan is one of the most famous provinces in China that are well known for producing fresh cut flowers. The profit of floral industry in Yunnan accounts for 1/3 of its total income. Besides China, another country that has improved its floral industry and has also become one of Cambodia biggest suppliers for roses and other types of flowers is Vietnam. Cambodia has imported roses from Vietnam from a lower range to medium range with their medium range having the same quality and size compared to Chinese roses. However, for the lower range their flowers got smaller buds and weaker stems.

Cambodia consumes roses from many countries with the demand going higher year by year but the country has not had its own domestic supply yet. Therefore, this research will study about the rose industry in Cambodia and investigate to illuminate on what factors led Cambodia to import all fresh cut roses from other countries rather than producing itself. Specifically, the paper will implement a comparative analysis between Cambodia rose industry with its neighbor countries that have similarities in terms of geography and point out what seem to be the challenges that Cambodia is facing in order to produce its own local roses.

2. Conceptual Framework

The research aims to study about rose industry in Cambodia. Floral industry in Cambodia has been increasing rapidly for the past 3 years. In fact, a greater number of businesses that involve in flowers are also increasing along with the price of fresh cut flowers itself. Roses are the highly demanded within the country especially in the capital city of Phnom Penh. Apparently, there seem to be changes in the usage of roses. Although it is not one of the traditional flowers, it is a must-have item in every floral shop. These changes are influenced from the lifestyle trend from neighboring countries including Thailand and Vietnam. These can be a reflection of the growth of Cambodia economy that led to the improving lifestyle of the citizens with higher income. Hence, it is shown that people are willing to spend more to celebrate their success while rose supply and its price have also been rising accordingly. Roses are used in almost all kinds of purposes, ranging from being a part of decoration in a traditional event such as wedding to a bouquet as a gift to one another. Many different varieties of roses are being imported to Cambodia market, from a small and low-quality rose to a big and high-quality rose that has been imported from Europe countries. Rose demand is soaring throughout the years but there is apparently no sign of growth in domestic supply. However, the domestic supply appears to be decreasing instead. The table below will show the statistical decrease in the figures of fresh cut flowers that Cambodia has been exporting to the world from 2013 to 2017.

Table 1: Cambodia's Floriculture Trade

Bilateral trade between Cambodia and World

Product: 0603 Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, ...

Unit : US Dollar thousand

HS6	Product code	Product label	World's imports from world					Cambodia's exports to world				
			Value in 2013	Value in 2014	Value in 2015	Value in 2016	Value in 2017	Value in 2013	Value in 2014	Value in 2015	Value in 2016	Value in 2017
0603		Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, ...	8,252,291	8,536,160	7,723,240	7,762,412	8,220,287	70	22	0	8	
0601		Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, dormant, in growth or in flower, ...	1,759,543	1,785,839	1,579,356	1,535,511	1,664,769	0	0	0	0	
0602		Live plants incl. their roots, cuttings and slips; mushroom spawn (excluding bulbs, tubers, ...)	7,647,138	7,616,397	6,623,482	6,752,531	7,732,745	0	0	1	22	
0604		Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses ...	1,208,219	1,178,671	1,067,947	1,038,770	1,159,475	0	0	0	0	2

Sources: ITC calculations based on UN COMTRADE statistics.
 The data aggregated are mirror and direct data: the values are shown in purple.
 Data based on the partner reported data (Mirror data) are shown in orange

Sources: ITC calculations based on UN COMTRADE statistics.

3. Methodology

Since Cambodia floriculture is developing, a few methods were utilized to enable the analysis and identify the factors that have impacts on the rose industry in Cambodia. For this research, the author investigates the factors by using comparative Porter’s diamond model to compare according to each of the factors such as factor condition, demand condition, firm strategy structure and rivalry and relation and supporting industry. By using these methods, we will be able to point out the factors that differentiate Cambodia and its neighbor countries that are successful or have developed significantly their rose industry, along with some of the most successful countries in their floriculture such as China, which is the major flower hub in Asia. Moreover, the research will use primary data which were collected through an interview conducted with an officer from Ministry of Agriculture of Cambodia Mr. Khy Kosal (Deputy director of department of account finance) and another officer from Ministry of Commerce Mr. Eng Sothyvon (Directorate General of international trade), together with a survey that has been done with the people in floriculture sector such as flower retailers, wholesalers and suppliers, and 4 flower farms. Additionally, secondary data will be sourced out from published books, journal and articles to get more in-depth information about rose industry as well as floriculture from other countries. On the whole, these methods made it possible for the author to identify, compare factor-by-factor and specify the disparities between Cambodia rose industry and other countries and which factors affect the most to the production of roses in Cambodia.

4. The Current Status of Floriculture in Cambodia

Although floral industry used to be small in Cambodia, it appears to have changed considerably over the last 5 years. More and more flower demands are increasing year by year, and the most fast-increasing period is from 2015 to 2018. For the past 3 years, there are more than 30 floral retails that have been opened within the city of Phnom Penh, not to mention the small flowers shop in the local markets. Despite the expansion of floral shops resulting from higher demand on flowers, the flower price is not lower. In fact, even though the supply has increased to serve the demand, the flower price is increasing. This is because most flowers are imported, which makes the price become higher.

a. Demand and Domestic Supply

Demand for flowers in Phnom Penh is increasing dramatically. Thanks to the economic growth and the improving lifestyle of the citizens, people are willing to spend more on celebration for their success and many other events. Flowers are used not only for traditional events like in the old days. The trend of flowers decoration is poured in Cambodia from its neighbor countries such as Thailand, and rose is one of the highly consumed flowers for all purposes. Roses in Cambodia are supplied from countries around the world such as Netherlands, Kenya, China, Thailand and Vietnam. However, the supply does not come from local suppliers. There are a few flower farms in Cambodia but none of them has grown rose. Most of the flower farms in the country have planted a few types of flowers which are for traditional purpose including jasmine, lotus, Orchid and Mary gold. However, these farms are still in a small scale compared to farms in Vietnam and Thailand. The supply from these farms could not even satisfy the need of the local market. As a result, these types of flowers are still being imported from other countries along with rose which is the number one highly demanded item in the market.

b. Farms Conditions

There are not many flower farms in Cambodia, and most of them are small farms in the backyard that are owned by families in the countryside. Their farms are cultivated with a mixture of different agricultural items such as vegetables, fruits and animals. There used to be more farms in Cambodia but they had closed down. It was due to the low profit that they got from the production. Hence, they instead turn the flowers farms to tourist destinations which can charge the tourist or visitors by their entry fee. Farmers from those farms that have been turned into tourist destinations have advantages because they gain better profit compared to supplying to the local market. In fact, they can get profit from the entry fee and sell flowers on the spot with a much higher price for the visitors. Besides, compared to growing flowers to supply to domestic market, the labor cost of running flower farms as tourist attractions is lower. Therefore, by turning the business around, they would need much less labor for the field work.

5. Factors Affecting Floriculture in Cambodia

After doing the research on flower industry in Cambodia, we have seen a few factors that Cambodia farmers and the people in flowers business are facing. Cambodia is a developing country with an area size of 181,035 km², and their population of 16.01 million (world bank, 2017). The economy in the country is growing for the past 3 decades, many foreign investors are coming in the country to invest their businesses because of its foreign-friendly investment policy, cheap labor, and natural resources such as land, minerals etc. Since many investments are happening in Cambodia, there seem to be some issues that led to the impacts on the floriculture in the country as there seems to be no investor that invests in this sector. Apparently, the consumption is growing while the production is slowly disappearing. There are probably a few factors that Cambodia is lacking or some factors from the investment development that may become an issue for the farmers in floral industry. Due the study of Porter's diamond model, we have point of a few factors that possibly be the cause of the un-development in floriculture.

a. Factor Condition

i. Human Resource

Cambodia is rich in natural sources but when it comes to production it is still not as strong as their neighboring countries due to the level of unskilled workers. Since the economic is growing fast, and the country is moving from agriculture base country to a manufacture sector base along with foreign investment pouring in, Cambodian workers has move from farming to work in the factory. The wedges are increasing due to the need of labors in the factories, and foreign investors are willing to give a much higher wedges than the local farm owner. Many workers had gave up their farm and move to the city to work in manufacturing sector. More and more people leave their hometown and farming life to move to the city, therefore it is decreasing the number of workers on the filled and the labor cost is increasing as well.

Another issue that has point is Cambodian worker are mostly unskilled workers, therefore they are not specialize on rose production. To be able to produce high-quality roses they need a rose specialist that are well educated in this sector, because Cambodia would

require more technology and equipment to produce this product in term of its humid climate.

ii. Decreasing Floriculture's Land

Another factor that affects the farming is the shortage of land. Since there are many foreign investors coming in to invest in the country and the urban city is also extending itself, therefore, the land on the outskirts of the city is being bought by investors and the price of land is also increasing dramatically. With the resource and utility issues, the higher price of land together with the labor shortage and higher labor cost led the farmers to give up the farming business and sell the land to the developers so that they will have more profits and more choices for other businesses or investments.

iii. Rose Production Requirement

Greenhouse is one of the best solutions for farmers all around the world. Most of the countries that are successful in their flowers production are likely to invested in this greenhouse and its technology. Each greenhouse has its different technology due to the need of plant or flowers type. The technology controls the surrounding atmosphere as well as climate from the usage of water, sunlight, soil condition and moisture. This greenhouse technology is very suitable for those who want to invest in flowers production in Cambodia. Nevertheless, to build the greenhouse, it might cost from 80,000USD to 4million USD according to the scale of the farm (Sheela, 2008), and this led to another problem which is financial problem.

Farmers in Cambodia are mostly middle to low income citizens that live in the provinces. This is because people with much higher income would mostly invest in business in the central city such as real-estate or trade import and export. For regular Cambodian farmers they might have financial problems when it comes to investing in this sector because the requirement and technology usually too expensive for them, not to mention the cost of utility, pest control and the labor which is increasing day by day.

b. Demand Condition

Consumer often plays a pivotal role not only for flower industry, but also for every business and industry. In every country, people tend to have different cultures and behaviors when it comes to consumption. Cambodia is rich in natural resources, but the country has not fully developed yet, therefore, they have imported many ready-to-use products and fresh cut rose is also one of them. Even though roses are highly demanded in Cambodia, there is lack of domestic supply for roses due to some of the aforementioned factors. However, it would be a miss not to mention consumer behavior which can also be considered as an important factor behind the scarcity of rose domestic supply. Cambodian consumers most likely prefer imported products more than local produces even for fresh cut roses. The mindset of the consumers tends to usually trust the imported ones because they think that it has a better quality and better appearance. The local farmer believes that even though they are willing to invest in this sector, they still could not compete with the imported roses in terms of price because consumers would give more priority to the imported ones and are willing to spend more on the imported roses and less to the local ones. Noticeably, this is different from other countries where consumers support their local products and give the same value to both local and imported products.

c. Relation and support industry

i. Utility

Rose plantation or flower farming in Cambodia is not one of the idol businesses for the local, due to the humid climate of Cambodia therefore in order to grow roses in they need to have a greenhouse that would require technology for rose plantation. In other hand, when it comes to resources for flowers, there aren't many domestic suppliers. The country certainly has natural resources but all necessary resources for rose production including pest control, soil mixture, and technology equipment must be imported from other countries, making the cost even higher.

Regarding investing in a greenhouse, especially for roses, the most important thing is the usage of technology that involves in electricity and water. Since utility cost in Cambodia is still very high for farmers with the electricity fee can be up to 1,100Riel/kWh and water fee up to 2,000 Riel/m³. It is unfortunate for local farmers. Cambodian government is also

seeking for methods to improve and find a better solution for this problem by lowering the electricity fee so that it could help not only floriculture but also many other industries.

ii. Government support

Floral industry in Cambodia has been growing dramatically only from the last 3- 5 years, and it show the major increase only in the capital city Phnom Penh and the trend is start spreading to Siem Reap. The market for flowers is just a new booming market, therefore the government has not yet turning to focus in this industry yet. Due to the interview with the officer Mr. Kosal from ministry of agriculture, he points out that the government has notice the change and increasing for the flowers trade and the growth of the demand, but it is still small comparing to the other market such as Thailand and Vietnam so they not yet have any strategy or policy to promote this sector yet.

In term of government support, it does not a specific regulation or policy to help support the floriculture sector yet, but as an agriculture the government has provide a testing greenhouse for farmers or investors who want to start a farming business to test out their production before fully invest in the business. The government greenhouse is located in the outskirts of Phnom Penh, and it is open for everyone to test their production they only need to register and sign an agreement to borrow the greenhouse.

d. Firm Strategy, Structure and Rivalry

Although the foreign investors are pouring in the country, there seems to be no investor that would invest in floriculture yet. In Cambodia, to be able to invest in this sector and especially for rose production, it would require a few certain criteria such as skills in floriculture including knowledge about certain types of roses which are suitable for the area condition. Thus, a collaboration with the foreign specialist is a must. Rose production is not one of the fast-producing produces, it takes years to get the result and at least 3-4 years to get back the profits, and at the same time, it needs maintenance and a lot of cares in order for roses to grow.

Since Cambodia is a humid country, therefore the investor needs to invest in greenhouse and its technology in order to grow roses. Roses need their own specific environment and

climate to grow. Furthermore, under the right environment, they will also bloom with high-quality roses that have strong and long stems along with a bigger bud and more paddles that would have a longer life after cutting. For the requirements for rose, climate would be from 14c to 16c while in Cambodia the average temperature for the cool season is around 25c and the hot season is up to 35c (Selectiveasia.com, n.d.). Consequently, it is not suitable for rose planting unless they are grown in the greenhouse.

6. Conclusion

The intention of this research is to investigate the factors that affect the development of rose industry in Cambodia. This study has focused on the condition in floriculture as well as the rose market in Cambodia. This research shows the comparison of the condition in rose industry between Cambodia and other neighboring countries. Besides, the study has also indicated a few factors that impacted the industry and challenges that farmers are facing in order to produce local fresh roses. The first factor is the resource and utility that involves with the equipment, pest control, land for growing and care for the roses. Utility is one of the most important factors because greenhouse needs a lot of electricity and water usage to support the greenhouse technology. Human resource is also needed for both skilled and unskilled labor. Second factor is the investment. Since Cambodian farmers are not specialized in roses plantation, they need a collaboration with foreign specialists to acquire necessary expertise. Additionally, their financial issue is also another aspect of the challenges which may require a support policy for the farmers. Last but not least, the most important factor is consumer behavior. Cambodian consumers perceive that imported products have more values than local products. This led Cambodian tend to import rather than produce flowers in general, particularly roses. This is contrary to other countries where consumers usually support their local products.

Bibliography

- Agriexchange.apeda.gov.in. (n.d.). *International Trade for FLORICULTURE Exporting Country Cambodia*. [online] Available at: <http://agriexchange.apeda.gov.in/inttrade/ExpCtryDetails.aspx?gcode=0101&ctryc=KHM&ctryn=Cambodia> [Accessed 14 Mar. 2018].
- Chinadaily.com.cn. (n.d.). *Flower trade to power Yunnan province's fortunes – Business - Chinadaily.com.cn*. [online] Available at: http://www.chinadaily.com.cn/business/2015-02/14/content_19589360.htm [Accessed 12 Mar. 2018].
- D, R. (2007). *Floriculture: A visible Business*. [online] Google Books. Available at: <https://books.google.co.th/books?id=Dx-EVbWMVt0C&pg=PA65&dq=floriculture+trade&hl=en&sa=X&ved=0ahUKEwippqvBn-bZAhWBkJKHbCvD0oQ6AEIKzAB#v=onepage&q=floriculture%20trade&f=false> [Accessed 22 Aug. 2018].
- Earthcaregreenhouses.com. (2014). *How to Grow Roses Using Greenhouses in 8 Steps*. [online] Available at: <http://www.earthcaregreenhouses.com/blog/news/how-to-grow-roses-using-greenhouses/>
- FAO. (2016). *3. CUT FLOWER PRODUCTION IN CHINA - Yang Xiaohan, Liu Guangshu and Zhu Lu[3]*. [online] Available at: <http://www.fao.org/docrep/005/ac452e/ac452e03.htm#bm03> [Accessed 4 Feb. 2018].
- Flamingo. (n.d.). *About - Flamingo*. [online] Available at: <https://flamingo.net/about/> [Accessed 20 Aug. 2018].
- Floricultural products. (1987). Geneva: International Trade Centre UNCTAD/GATT.
- HortiBiz. (n.d.). *Top 10 cut flower exporters in the world*. [online] Available at: <http://www.hortibiz.com/item/news/top-10-cut-flower-exporters-in-the-world/> [Accessed 15 Feb. 2018].
- lfw-expo.de. (n.d.). *The floriculture market in Asia is thriving, consider these factors to grow your business! | IFWexpo Heidelb*
- Islandrose.net. (n.d.). *How the Flower Industry Works | Growing Together*. [online] Available at: <http://www.islandrose.net/blog/2008/07/15/how-the-flower-industry->

works/ [Accessed 14 Feb. 2018].

Khan, F. (2005). *Development of commercial floriculture in Asia and the pacific-issues, challenges and opportunities*. [online] AGRIS: International Information

Ph.islandrose.net. (n.d.). *About Island Rose*. [online] Available at:

<https://ph.islandrose.net/our-company.html> [Accessed 20 Aug. 2018].

Sheela, V. (2008). *Flowers for trade*. New Delhi: New India Pub. Agency.

System for the Agricultural Science and Technology. Available at:

<http://agris.fao.org/agris-search/search.do?recordID=PK2007000854>

YouTube. (n.d.). *LATAM Cargo flower export operations*. [online] Available at:

<https://www.youtube.com/watch?v=5SYcQUZvR1Y> [Accessed 5 Mar. 2018].

An Analysis of Factors Affecting the Intention to Use Bitcoin

Alisa Teerasakdapong

alisa.teerasakdapong@gmail.com

Manit Satitsamitpong

manit@citu.tu.ac.th

Abstract

This research aims to explore factors affecting the intention to use Bitcoin. The purposes of this research are to study current situations of using Bitcoin in Thailand, to identify factors affecting the intention to use Bitcoin and to be a case study for future financial innovations. Quantitative research was conducted by distributing 445 questionnaires. The research used statistical software as a tool for data analysis by descriptive statistics analysis, exploratory factor analysis and multiple regression analysis. The results indicate that awareness factor has a negative impact on the intention to use Bitcoin. Trust factor, Ecosystems factor, and Virtual currency factor have a positive impact on the intention to use Bitcoin. Innovation adoption factor did not affect the intention to use Bitcoin at a significant level of 0.10. Bitcoin is still in early adoption period. Most active users are not conservative, tends to see the benefits of technology promptly and always prefer taking risk. Bitcoin's return is a major factor for most people in the intention to use Bitcoin. The next factor is the novelty and the lack of government control, respectively.

1. Introduction

Over the years, financial news headlines that got attentions from countries all over the world including in Thailand, is the advent of digital currency. "Bitcoin" is one of the digital currencies managed by a computer network. It can be used for exchanging real products or services instead of the traditional currency we have been using for a long time, such as USD, JPY, EUR, or THB. Bitcoin was first introduced on January 3, 2009 in a document by Satoshi Nakamoto. The currency abbreviation is BTC [1]. Although the usage of Bitcoin is gaining popularity in Thailand, there is a warning from the Bank of Thailand that Bitcoin or other digital currencies is not accepted as legal tender for all kinds of debts. It is unsafe and vulnerable to fraud, deception, or theft with unstable value. Owners have risks of losing some or all of the money investing in this digital currency [2].

However, no Thai laws stating that using Bitcoin is prohibited. And it is enough to attract investors and those who trust or believe in this technological advancement of financial. These irresistible demands may rise the new question, not the how much the greater risk it brings, but how current financial institutions react to this seemingly unstoppable trend. This observation aside, we know little about the individual end-users of Bitcoin, and there is a call for research on users versus non-users. The aim of this paper is to provide a small empirical survey from the end-user's perspective versus non-users and our research question reads: What are the factors of end-users' motivations and barriers for using Bitcoin as digital currency? The rest of the paper has the following structure: First, we will provide a description of related research on Bitcoin such as awareness, trust, user adoption and network effect theory. Then we present our method where we describe how we collected and analysed the data. We discuss our findings inspired by the Diffusion of Innovations theory, before we present our insights in the final section.

2. Literature Review

Since the information technology affect everything in our life, one of the famous aspects now a day is the digital money. This study focusses on the adoption of Bitcoins. The Bitcoin system is one of the most popular platforms for digital currency. This type of online payment still in the early stage and need more investigation because the technology always changed, and the users need, and expectation changed over the time. Hence, there are many factors that might has an influence in user adoption but this study will focus on the factor of the Trust, Awareness, Social Capital, Network Effect, Innovation Adoption and Virtual Currency. These factors considered to be the most influencing factors of the user adoption of new technology. The next section we going to discuss each factor and the research hypothesis. Factors affecting the intention to use Bitcoin have been analyzed by the following theories:

a. Theory of Trust

Trust means confidence, positive expectation of a person toward a person, something to treat the person as expected or convinced. Trust increases when positive expectations are fulfilled or true. But trust is reduced. If positive expectations are not met or the response is lower than expectation [3].

b. Theory of Awareness

Awareness is a combination of psychological approach and behavioral science. In summary, it is a basic form of knowledge. Awareness of a particular matter brings attention and response to those stimulations. This can be mirrored to executives and staffs' attentions to public relations which creates responses on organization's news, policies and missions. Theory of Awareness can be used as a guideline to conduct questionnaires to study target groups in this research. It can also be used to interpret dimensions within this study and eventually helps to understand it better [4].

c. Theory of Ecosystems

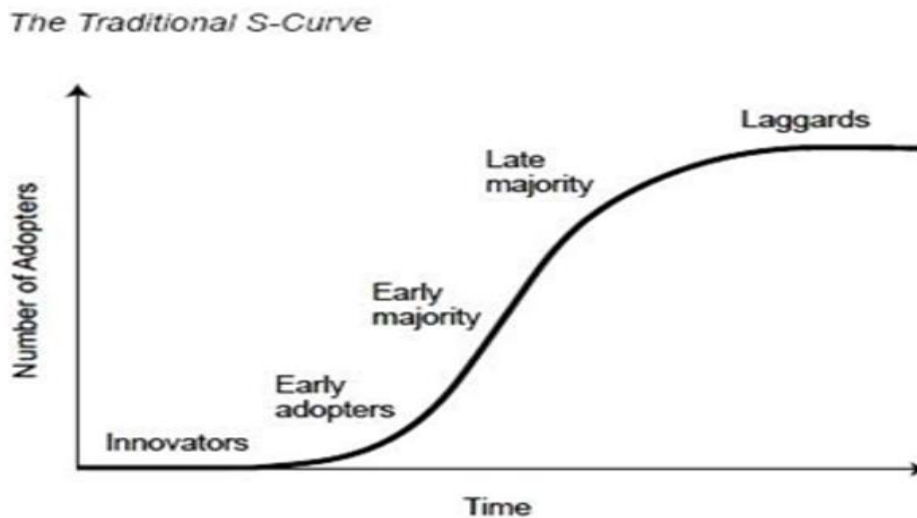
The concept of Ecosystems is a combination of two theories which are Social Capital theory and Network Effect theory. Social Capital is a new "capital" description that is not just an economic capital that aims to profit or seek the maximum benefit of itself. But social capital is characterized by the benefits or the collective costs of help and cooperation between individuals and between groups in society [5].

Network Effect is an Economic theory. It happens when the user decides to use the system based on the number of users. As a result, the system has more value [6].

d. Theory of Innovation Adoption

Acceptance processes is the behavior of individuals in society expressing acceptance of implementation [7]. It is divided into 5 steps, as shown in Figure 2.1.

Figure 2.1 shows the S-Curve graph and segmentation based on the acceptance of innovation.



Source: Rogers, E. M. (2003)

2.5 Theory of Virtual Currency

Virtual Currency or Virtual Money was announced back in 2012 by the European Central Bank. The technology was later developed as a format of a medium used for exchanging created by different groups. The new currencies are accepted for trading within the social group without government of any country endorsing or controlling the currency [8].

3. Research Methodology

The research method explains the way of collecting the data and how this data analysed. This study used quantitative research technique to achieve the research goal. In this study we follow the general research method of information technology starting by collecting all related information about the scope of the study and related issues. Then, the study builds a questionnaire survey to achieve the research goal. After the questionnaire built, it sent out for review by expert of Bitcoin and information technology with Index of Consistence (IOC) Requirement 0.5. Once the positive response back from reviews, all modifications were taken into account in the final copy of the questionnaire. The questionnaire was sent out via online survey and paper to participants. The participants were asked freely to participate in the survey and advice to read about Bitcoin before start to know more this digital currency. This quantitative research was conducted by distributing 445

questionnaires. The research used statistical software as a tool for data analysis by descriptive statistics analysis, exploratory factor analysis and multiple regression analysis.

4. Hypotheses Testing

Factors influencing the selection of Bitcoin were studied using the data that can be divided into four parts.

4.1 Validity Test

Researcher used a questionnaire as a research tool. In order to conduct the questionnaires, researcher chose to use content validity test by asking three experts for advice and rating the questions for IOC evaluation. The value should be more than 0.5 in each area for the questionnaire to be accurate. It can be used to create a questionnaire for further research.

4.2 Reliability Test

After validity test, the questionnaires were distributed to 30 samples for reliability test. The test was accepted when the Cronbach's Alpha coefficient was greater than or equal to 0.7. This helps verify the accuracy of the questionnaire that the respondents could communicate meaningfully and effectively. The test is as follows.

Table 4.1 shows the reliability of the questionnaire

Factors	Question	Cronbach's Alpha
Validity of all questions	1-27	0.9595
Awareness	1-3	0.7023
Trust	4-6	0.7252
Innovation adoption	7-21	0.9454
Ecosystems	22-24	0.7991
Virtual Currency	25-27	0.8631

The cronbach's alpha coefficient of the questionnaire is 0.9595 and the reliability is 0.7023 - 0.9454. The reliability of the questionnaire is acceptable. It can be used in research.

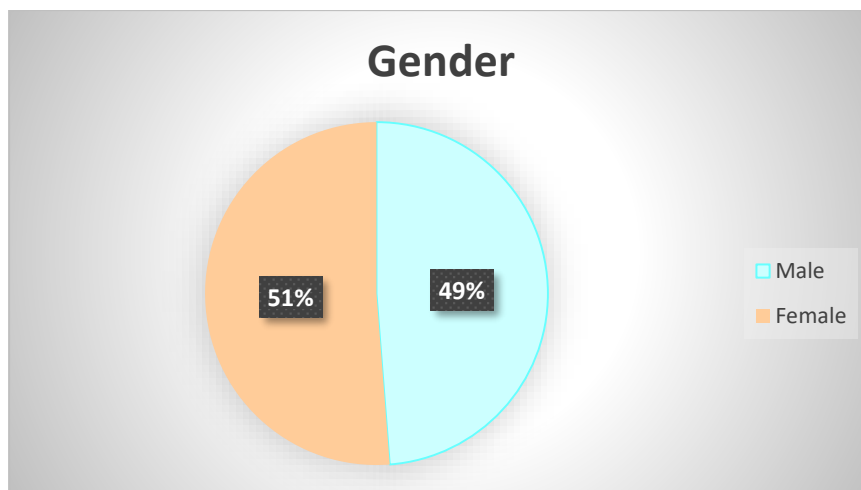
4.3 Analysis of data from the questionnaire.

The researcher distributed questionnaires to collect data from Thai investors. A total of 445 persons were analyzed for statistical analysis.

4.3.1 Data analysis of respondents by descriptive statistics. General data of the sample from the questionnaire.

The researcher analyzed the level of factors influencing the intention to use Bitcoin. Descriptive statistics are based on mean, standard deviation, and scale. The measure uses a score of 1 to 5, which means that 5 points are strongly agree, and 1 point are strongly disagree.

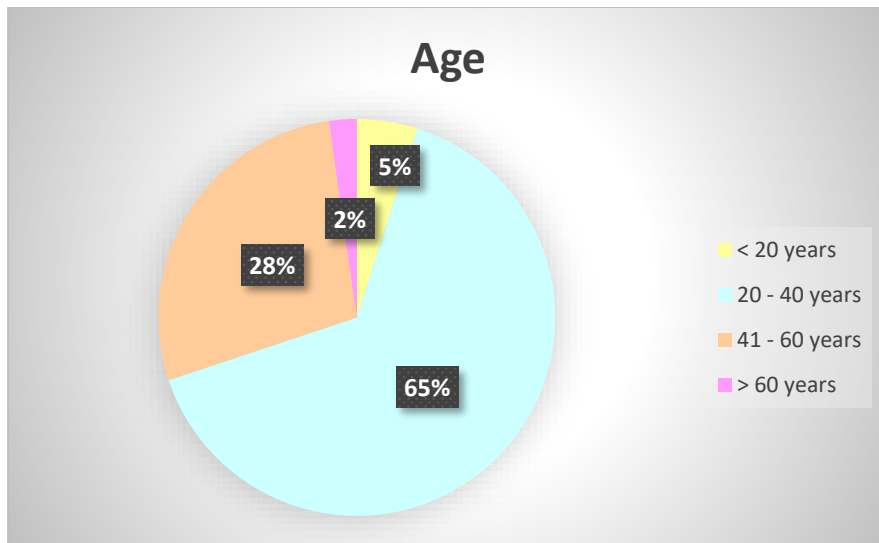
Figure 4.1 shows proportion of sample by gender



Source: Author's own analysis

Based on 445 questionnaires, 217 represents male population accounted for 49% and 228 females accounted for 51%.

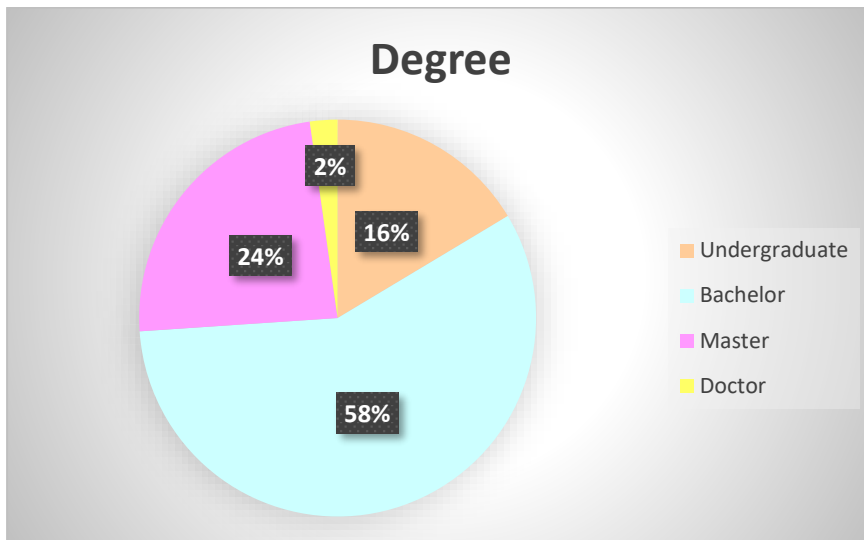
Figure 4.2 shows proportion of sample by age



Source: Author's own analysis

The majority of the respondents were 20-40 years old, accounting for 65%, followed by 124 of those aged 41-60 years, or 28%. Less than 20 years old is 5% and more than 60 years old is 2% accordingly.

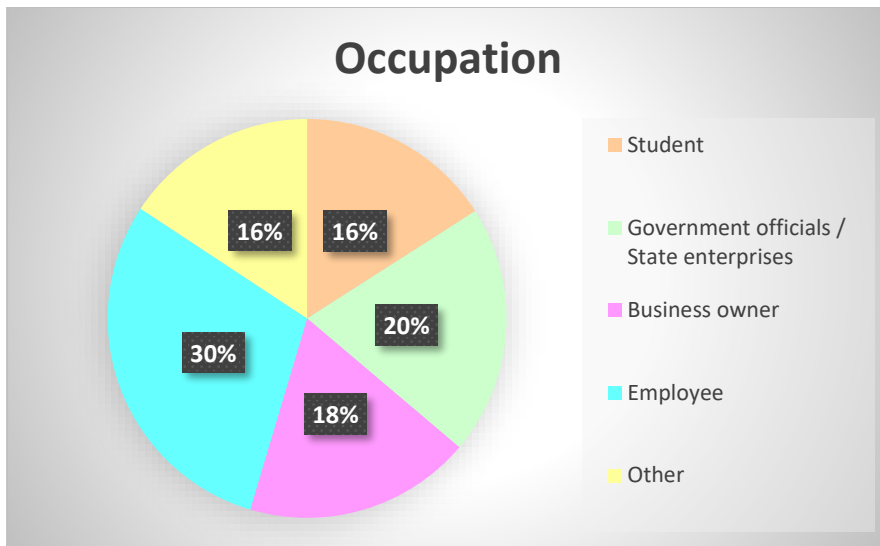
Figure 4.3 shows proportion of sample by degree



Source: Author's own analysis

Most of them had a bachelor's degree in 256 subjects, or 58%, followed by a master's degree (106 students) or 24%. Undergraduate is 16% and Doctor degree is 2% accordingly.

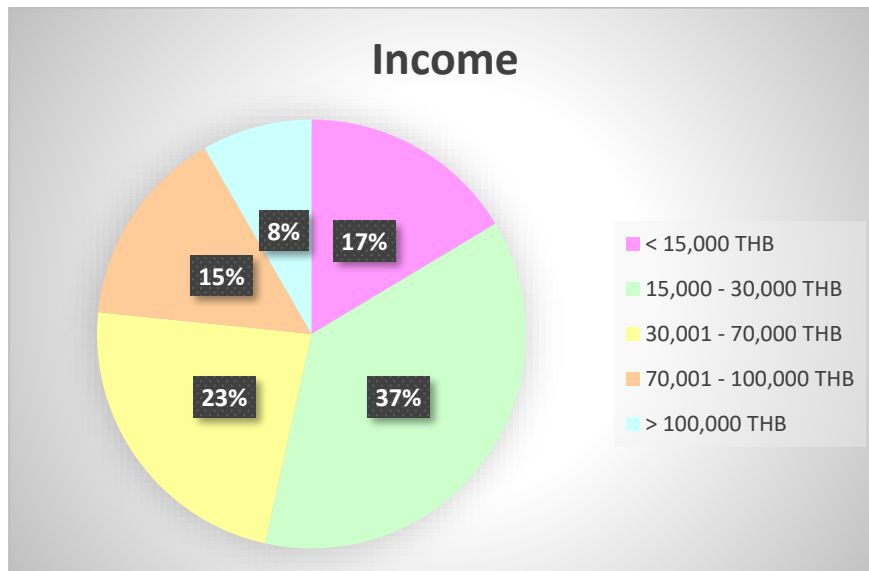
Figure 4.4 shows proportion of sample by occupation



Source: Author's own analysis

Most of the occupations were 132 employees, accounting for 30%, followed by government officials / state enterprises of 90 persons, accounting for 20%. Business owner is 18%. And the rest are student and other.

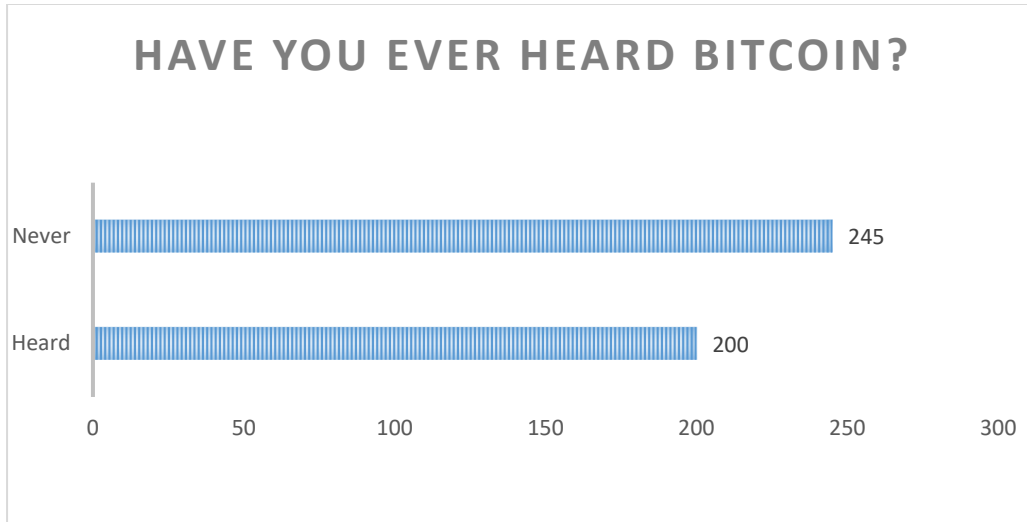
Figure 4.5 shows proportion of sample by income



Source: Author's own analysis

Most of the income was between 15,000 and 30,000 Baht per month, accounting for 37%, followed by the average monthly income of 30,001 to 70,000 Baht, accounting for 23%.

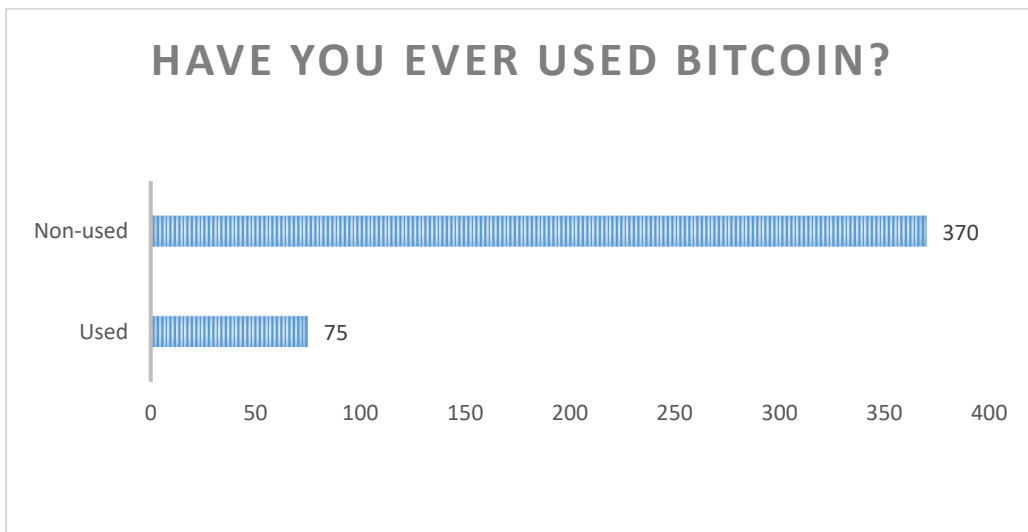
Figure 4.6 shows Have you ever heard Bitcoin?



Source: Author's own analysis

There were 200 people or 45 percent who have ever heard of Bitcoin, and there were 245 people or 55 percent who have never heard of Bitcoin.

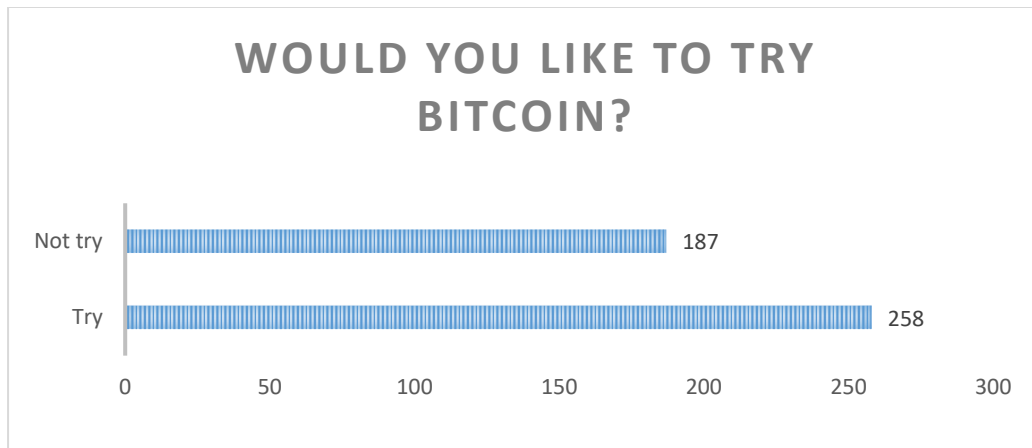
Figure 4.7 shows Have you ever used Bitcoin?



Source: Author's own analysis

There were 75 people or 17 percent who have ever used Bitcoin, and there were 370 people or 83 percent who have never used Bitcoin.

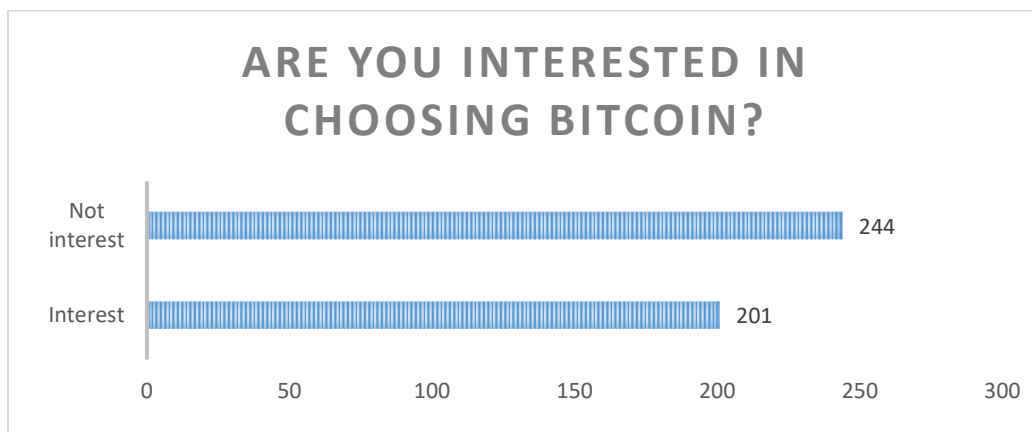
Figure 4.8 shows Would you like to try Bitcoin?



Source: Author's own analysis

There were 258 people or 58 percent who want to try Bitcoin, and there were 187 people or 42 percent who don't want to try Bitcoin.

Figure 4.9 shows Are you interested in choosing Bitcoin?



Source: Author's own analysis

There were 201 people or 45 percent who were interested in Bitcoin, and there were 244 people or 55 percent who weren't interested in Bitcoin.

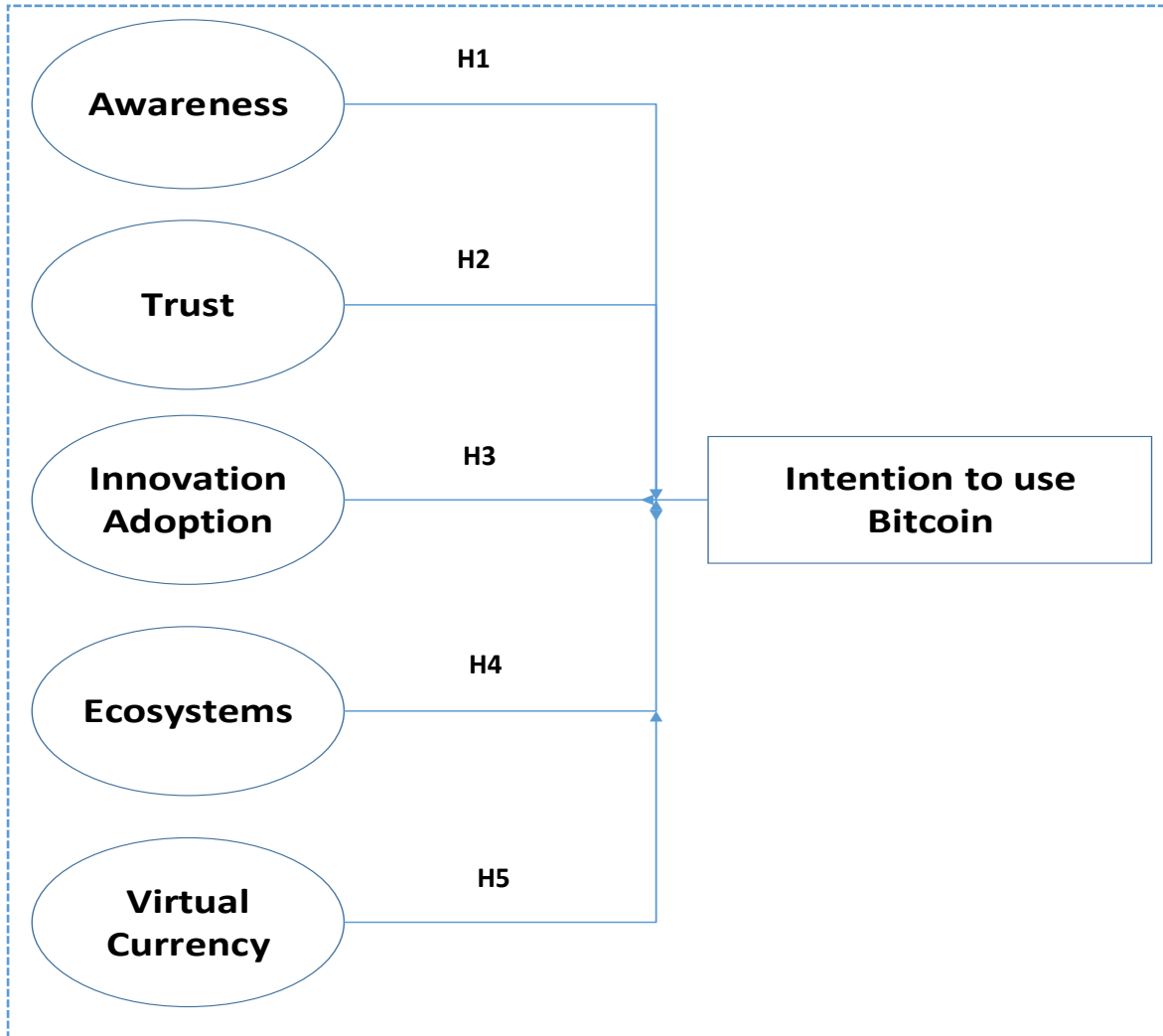
4.3.2 Results of data analysis with exploratory factor analysis.

From the 27 questionnaires, the questionnaire consisted of 3 questions of Awareness, 3 questions of Trust, 15 questions of Innovation Adoption, 3 questions of Ecosystems, and 3 questions of virtual currency. The researcher took all 27 questions into Exploratory Factor Analysis (EFA) to test whether the 27 questions were questionable. The Kaiser-Meyer-

Olinger Measure of Sampling Adequacy should be greater than 0.5 and the p-value of the Bartlett's Test of Sphericity should be less than 0.05. All questions can describe Latent Variable as a whole.

4.3.3 Results of data analysis with multiple regression analysis.

Figure 4.10 Research hypothesis



The hypothesis is as follows:

H1: Awareness factor affects the intention to use Bitcoin.

H0: Awareness factor does not affect the intention to use Bitcoin.

H1: Awareness factor affects the intention to use Bitcoin

H2: Trust factor affects the intention to use Bitcoin.

H0: Trust factor does not affect the intention to use Bitcoin.

- H1: Trust factor affects the intention to use Bitcoin.
- H3: Innovation Adoption factor affects the intention to use Bitcoin.
 - H0: Innovation Adoption factor does not affect the intention to use Bitcoin.
 - H1: Innovation Adoption factor affects the intention to use Bitcoin
- H4: Ecosystem factor affects the intention to use Bitcoin
 - H0: Ecosystem factor does not affect the intention to use Bitcoin
 - H1: Ecosystem factor affects the intention to use Bitcoin
- H5: Virtual Currency factor affects the intention to use Bitcoin
 - H0: Virtual Currency factor does not affect the intention to use Bitcoin
 - H1: Virtual Currency factor affects the intention to use Bitcoin

Table 4.2 shows the Model Summary of factors affecting the intention to use Bitcoin

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.807 ^a	0.651	0.647	0.2976
a. Predictors: (Constant), VIR, AWA, TRUST, ECO, iADOPT				

From the table, 64.70% of the variation in the use of Bitcoin was accounted for the factor of Awareness, Trust factor, Acceptability factor, Ecological factor and Currency factor.

Table 4.3. ANOVA values of factors affecting the intention to use Bitcoin

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	70.426	5	14.085	159.033	.000b
Residual	37.819	427	0.089		
Total	108.245	432			

a. Dependent Variable: Intention

b. Predictors: (Constant), VIR, AWA, TRUST, ECO, iADOPT

The table is tested with F-test to determine if there is at least one factor affecting the intention to use Bitcoin at significant level 0.10. And from the results, the Sig. Value of 0.000 which is less than 0.10 indicates that there is at least one factor affecting the intention to use Bitcoin.

Table 4.4 Coefficients of factors affecting the intention to use Bitcoin

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. Error	Beta			Zero-order	Partial	Part
(Constant)	0.766	0.107		7.144	0			
AWA	-0.585	0.035	-0.585	-16.663	.000***	-0.760	-0.628	-0.477
TRUST	0.030	0.018	0.060	1.680	.094***	0.451	0.081	0.048
iADOPT	0.034	0.031	0.057	1.122	0.262	0.608	0.054	0.032

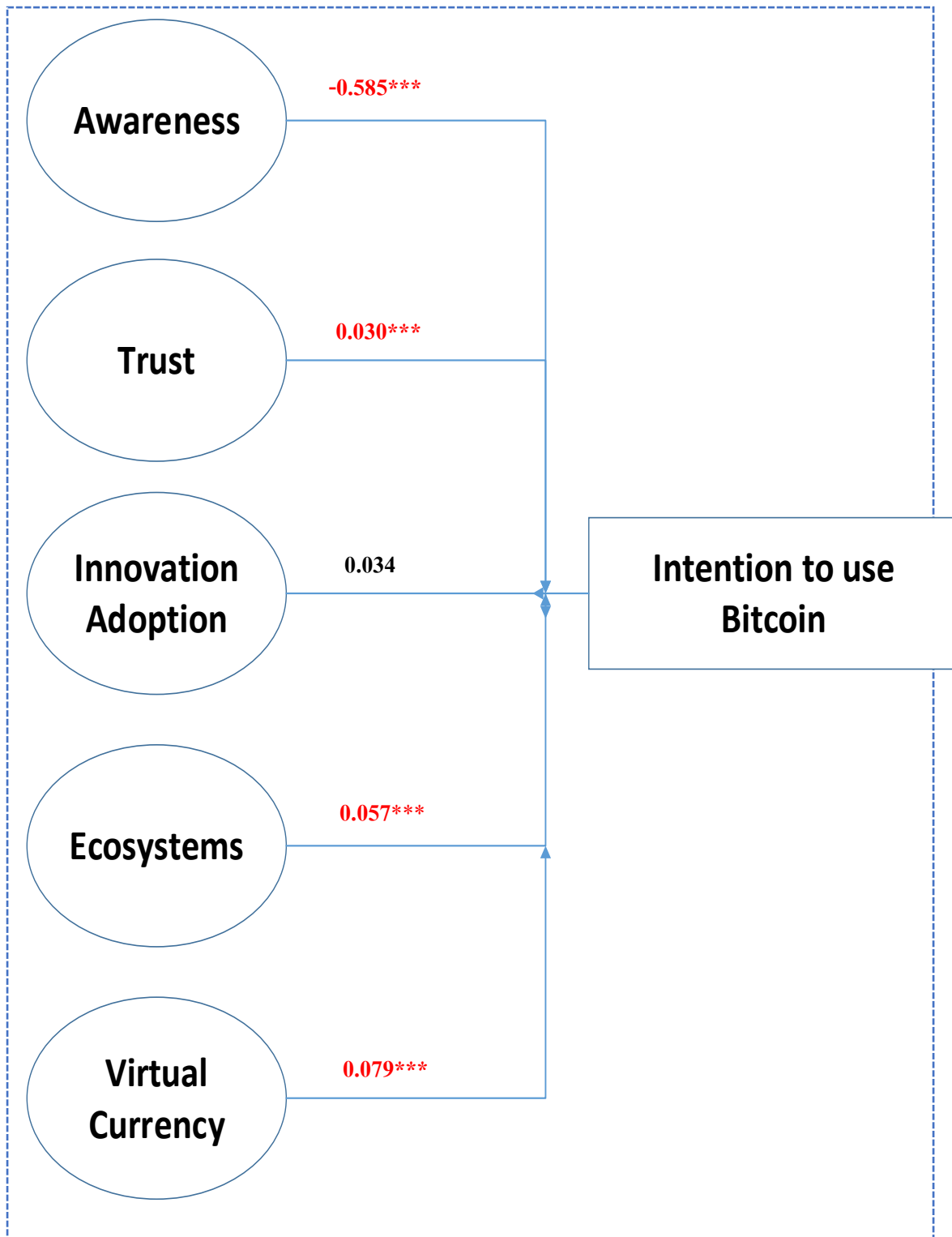
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. Error	Beta			Zero-order	Partial	Part
ECO	0.057	0.025	0.103	2.251	.025***	0.532	0.108	0.064
VIR	0.079	0.026	0.151	3.021	.003***	0.596	0.145	0.086

a. Dependent Variable: Intention

*** At significant level 0.10

Based on the statistical hypothesis test mentioned above. The factors affecting the intention to use Bitcoin are as follows.

Figure 4.2 summarizes the factors affecting the intention to use Bitcoin.



*** At significant level 0.10

Conclusion of the hypothesis as follows:

Hypothesis 1: Awareness factor affects the intention to use Bitcoin.

H0: Awareness factor does not affect the intention to use Bitcoin.

H1: Awareness factor affects the intention to use Bitcoin

The result shows that H1 acceptance is a significant effect on the intention to use Bitcoin, with a regression coefficient of -0.585 and a Sig value of 0.000. It can be concluded that this factor has a significant effect.

Hypothesis 2: Trust factor affects the intention to use Bitcoin.

H0: Trust factor does not affect the intention to use Bitcoin.

H1: Trust factor affects the intention to use Bitcoin.

The result shows that H1 acceptance is a significant effect on the intention to use Bitcoin, with a regression coefficient of 0.030 and Sig. value of 0.094. It can be concluded that this factor has a significant effect.

Hypothesis 3: Innovation Adoption factor affects the intention to use Bitcoin.

H0: Innovation Adoption factor does not affect the intention to use Bitcoin.

H1: Innovation Adoption factor affects the intention to use Bitcoin

The result shows that accepting H0 is not acceptable for the adoption of Bitcoin. The coefficient of regression is 0.034 and Sig. value of 0.262. It can be concluded that this factor does not significantly affect.

Hypothesis 4: Ecosystem factor affects the intention to use Bitcoin

H0: Ecosystem factor does not affect the intention to use Bitcoin

H1: Ecosystem factor affects the intention to use Bitcoin

The result shows that H1 acceptance is a significant effect on the intention to use Bitcoin, with a regression coefficient of 0.057 and Sig. value of 0.025. It can be concluded that this factor has a significant effect.

Hypothesis 5: Virtual Currency factor affects the intention to use Bitcoin

H0: Virtual Currency factor does not affect the intention to use Bitcoin

H1: Virtual Currency factor affects the intention to use Bitcoin

The result shows that H1 acceptance is a significant effect on the intention to use Bitcoin, with a regression coefficient of 0.079 and Sig. value of 0.003. It can be concluded that this factor has a significant effect.

5. Summary of Findings and Recommendations

A study to determine the factors affecting the intention to use Bitcoin can be summarized as follows:

By reviewing the literature and related researches, it was found that factors affecting the intention to use Bitcoin are as follows: (1) Awareness (2) Trust (3) Innovation Adoption (4) Ecosystems (5) Virtual Currency. Dependent variable is interest in using Bitcoin (Intention to use Bitcoin). Those factors are analyzed as follows:

Factor of Awareness

The analysis found that the Awareness has a negative impact on the interest in using Bitcoin. Due to the fact that Bitcoin is not considered legitimate and has a negative reputation, it is Bitcoin's image or Brand Image. For example, money laundering or the illegal business route, most people who have heard or known Bitcoin have fear, this results in an Awareness of the opposite of their interest in using Bitcoin. In other words, the more awareness of Bitcoin, the less intention to use.

Identity can be created by the brand owner. Brand identity is what brand owners create to meet the needs. This is different from brand image because the brand image is the consumer perception of the brand. In general, there are often gaps or differences between brand identity and brand image. [9] The purpose of Bitcoin creator is to pay for goods or services and use it to invest for profit as a common currency. However, many Bitcoin leaders have used illegal means to make Bitcoin image that most people recognize or have negative brand awareness.

Those who are interested in real-life use are mostly Early Adopters who love risk and overlook the fear of Bitcoin's reputation.

Factor of Trust

Trust factor has a positive effect on the interest in using Bitcoin. Because the sample does not trust Bitcoin providers to keep their personal information confidential and not used for other purposes. They also fear that the information will be altered or destroyed, either intentionally or unintentionally. The service provider must ensure that user's data is not altered, destroyed or lost. Therefore, security policy is very important to make the user confident and trust in using the service.

As mentioned above, it is concluded that the trust of the e-Wallet Service Provider affects the intention to use Bitcoin.

Factor of Ecosystems

Ecosystems factor has a positive impact on Bitcoin's preference. Especially if Bitcoin is accepted by various stores to be able to pay for goods and services, more people are interested in Bitcoin. If the government wants to support digital money, the government should encourage merchants to use digital money. A good example of this is Microsoft, which encourages companies to use Microsoft Office programs for Network Effects.

Factor of Virtual Currency

The virtual currency factor has a positive effect on the interest in using Bitcoin. The sample felt Bitcoin was different from cash and if Bitcoin could pay for goods and services like credit and cash. Bitcoin is the preferred choice. The public sector may need to start with promotions such as credit cards with redemption points and any promotions such as cash back.

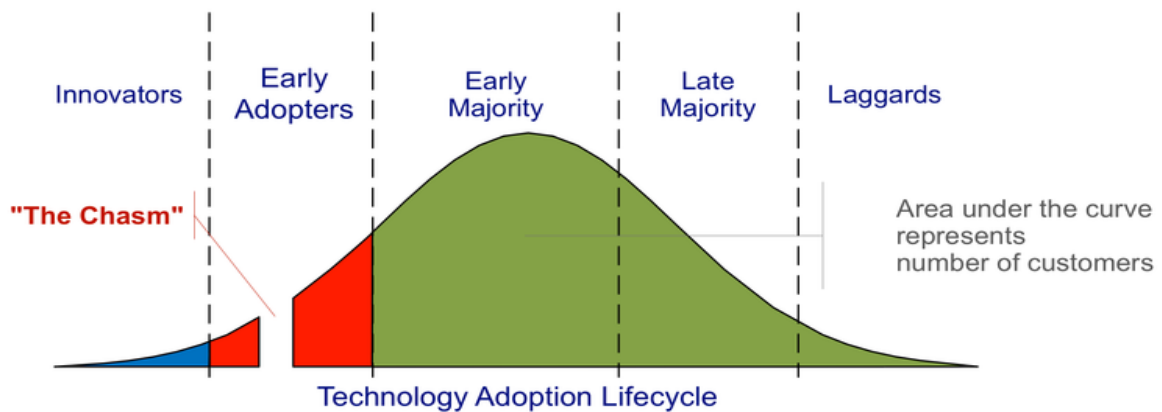
Factor of Innovation Adoption

Factor of Innovation Adoption does not affect the intention to use Bitcoin.

The author cited articles with similar results. Innovation adoption has indirectly influenced intention to use Bitcoin. Aiden Walton and Kevin Johnston (2018) Perceived usefulness indirectly influences intention to use Bitcoin by influencing consumer attitude towards Bitcoin. The open-ended responses point to investment as a key factor that influenced Bitcoin adoption. This finding agrees with Glaser et al. (2014) that new users tend to regard

Bitcoin as a speculative asset, rather than as a means of paying for goods or services. Perceived ease of use indirectly influenced intention to use Bitcoin, by influencing both attitude ($\beta=0.14$) and perceived usefulness ($\beta=0.32$). This finding concurs with Wan and Hoblitzell (2014b) that Bitcoin will need to address its ease of use in order to experience wider levels of adoption. Participants, particularly the aged, mentioned that they are reluctant to use bitcoin because of its complex nature and is difficult to understand [10].

Figure 5.1 shows the technology adoption cycle.



Source: Geoffrey Moore, Crossing the Chasm

Bitcoin is still in early adoption period. Most active users are not conservative, tends to see the benefits of technology promptly and always prefer taking risk. Bitcoin's return is a major factor for most people in the intention to use Bitcoin. The next factor is the novelty and the lack of government control, respectively.

Based on demographic analysis from the samples. It was found that the total number of people who have ever used Bitcoin was 75. The majority of them were men, there are twice more men than women (50 men, 25 women) aging between 20 to 40 years old. Those are having personal business and or are private company employees with bachelor's degree. Income is between 15,000 and 30,000 baht and know Bitcoin through Social Media and friends or acquaintances.

6. Suggestions for Future Research

This research is quantitative research. It can be expanded further by performing qualitative research to gain insights from users, financial institutions and the regulators such as Bank of Thailand and Revenue department.

Bibliography

- [1] Meaning of Bitcoin retrieved on 10 October 2016 , from website :
<http://bitcoin.passiveincome.in.th/>
- [2] BOT's waring for Bitcoin retrieved on 13 October 2016, from website :
<https://www.bot.or.th/Thai/PressAndSpeeches/Press/News2557/n0857t.pdf>.
- [3] Chalermchai Kittisaknawin (2009) Supervisory Trust and Organizational Trust Influencing Individual Creativity of Nakhonpathom Municipality's Officer Ramkhamhaeng University
- [4] Paravee Busabasi (2012) The Awareness and Attitude of Executives and Employees towards the Internal Public Relations of the Company. Eastern Water Resources Development and Management Public Company Limited, The University of the Thai Chamber of Commerce.
- [5] Putnam, Robert (2000) Bowling Alone: The Collapse and Revival of American Community (New York: Simon and Schuster)
- [6] Network Effect Theory retrieved on 09 April 2017, from website :
<http://y35.wikidot.com/network-effect-theory>
- [7] Rogers, E., & Shoemaker, F. (1978) Communication of innovations: A cross-cultural approach. New York: Free Press.
- [8] Virtual Currency retrieved on 13 October 2016 , from website :
<http://webcache.googleusercontent.com/search?q=cache:wYuJbg5K9K4J:siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/282884-1397663148139/AM-IddoJongECBVirtualCurrency.pdf+&cd=4&hl=th&ct=clnk&gl=th>
- [9] Corporate Brand Alignment retrieved on 14 October 2016 , from website :
<https://www.reputationinstitute.com/research>
- [10] Aiden Walton and Kevin Johnston (2018) Exploring Perceptions of Bitcoin Adoption: The South African Virtual Community Perspective. University of Cape Town, Cape Town, South Africa

Articles:

- Alexy, O., Bascavusoglu-Moreau, E., & Salter, A. J. (2016). Toward an aspiration-level theory of open innovation. *Industrial & Corporate Change*, 25(2), 289.
- Ali, O., & Soar, J. (2016). Technology Innovation Adoption Theories.

- Behringer, S. (2014). Network Effects, Spillovers and Market Structure. *Manchester School* (14636786), 82(2), 143-159. doi: 10.1111/manc.12004
- Buta, S. (2016). The Social Capital: from Macro to Microeconomics. *USV Annals of Economics & Public Administration*, 16(1), 138-144.
- Carofiglio, G., Mekinda, L., & Muscariello, L. (2016). Joint forwarding and caching with latency awareness in information-centric networking. *Computer Networks*, 110, 133-153. doi: 10.1016/j.comnet.2016.09.019
- Claudy, M., Garcia, R., & O'Driscoll, A. (2015). Consumer resistance to innovation-a behavioral reasoning perspective. *Journal of the Academy of Marketing Science*, 43(4), 528-544. doi: 10.1007/s11747-014-0399-0
- Dibrova, A. (2016). Virtual Currency: New Step in Monetary Development. *Procedia - Social and Behavioral Sciences*, 229, 42-49. doi: 10.1016/j.sbspro.2016.07.112
- Erickson, B. H., & Lin, N. (2010). *Social capital : an international research program*: Oxford : Oxford University Press, 2010.
- Faulkner, P. (2014). *Knowledge on trust*: New York : Oxford University Press, 2014.
- Fengming, L., Xiaoqian, Z., Yuxi, H., Lehua, R., & Johnson, H. (2017). A Cloud Theory-Based Trust Computing Model in Social Networks. *Entropy*, 19(1), 1-21. doi: 10.3390/e19010011
- Field, J. (2008). *Social capital*: Abingdon [England] : Routledge, 2008. 2nd ed.
- Goldstein, H., & Olszewski, A. (2015). Developing a Phonological Awareness Curriculum: Reflections on an Implementation Science Framework. *Journal of Speech, Language, and Hearing Research*, 58(6), S1837-S1850.
- Greene, C., & Shy, O. (2014). E-cash and virtual currency as alternative payment methods. *Journal of Payments Strategy & Systems*, 8(3), 274-288.
- Hashim, K. F., & Tan, F. B. (2015). The mediating role of trust and commitment on members' continuous knowledge sharing intention: A commitment-trust theory perspective. *International Journal of Information Management*, 35, 145-151. doi: 10.1016/j.ijinfomgt.2014.11.001
- Hearld, L. R., Alexander, J. A., Wolf, L. J., & Shi, Y. (2015). The strategies and challenges to promoting awareness of multi-sectoral health care alliances. *Journal of Communication in Healthcare*, 8(2), 119-133. doi: 10.1179/1753807615Y.0000000009
- Jarunee Wonglimpiyarat (2015) Bitcoin: The revolution of the payment system? *College of Innovation, Journal of Payments Strategy & Systems* Volume 9 Number 4, Thammasat

University.

- Leinonen, H. (2016). Virtual currencies and distributed ledger technology: What is new under the sun and what is hyped repackaging? *Journal of Payments Strategy & Systems*, 10(2), 132-152.
- Lopez, K. J. (2015). Virtual Currency - Property or Foreign Currency? An Exploration of The Tax and Ethical Implications. *Southern Journal of Business & Ethics*, 7, 119-128.
- Majid Pakrou (2016) The Relationship between Perceived Value and the Intention of Using Bitcoin, *Journal of Internet Banking and Commerce*, April 2016, vol. 21, no. 2, University of Tehran
- Matthews, R. L., & Marzec, P. E. (2012). Social capital, a theory for operations management: a systematic review of the evidence. *International Journal of Production Research*, 50(24), 7081-7099. doi: 10.1080/00207543.2011.617395
- McIntyre, D. P., & Srinivasan, A. (2017). Networks, platforms, and strategy: Emerging views and next steps. *Strategic Management Journal*, 38(1), 141-160. doi: 10.1002/smj.2596
- Michal Polasik (2016) Price Fluctuations and the Use of Bitcoin: An Empirical Inquiry, *International Journal of Electronic Commerce / 2016, Vol. 20, No. 1*, pp. 9–49.
- Mitchell Franklin (2016) A Profile of Bitcoin Currency: An Exploratory Study, *International Journal of Business and Economics Perspectives*, Volume 11, Number 1, Spring 2016
- Mont, J. (2013). Very real regulations issued on virtual currencies, 16.
- Mylonakis, I. (2014). Toward a Theory of Entrepreneurial Awareness: Revaluating the People Side of Entrepreneurship Analysis. *Franklin Business & Law Journal*, 2014(3), 145-163.
- Pavel Ciaian, Miroslava Rajcaniova, d'Artis Kancs (2014) The Economics of Bitcoin Price Formation
- Putnam, Robert D. (1993) *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton: Princeton University Press.
- Putnam, Robert D. (2000) *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon & Schuster.
- Qiu, L., Tang, Q., & Whinston, A. B. (2015). Two Formulas for Success in Social Media: Learning and Network Effects. *Journal of Management Information Systems*, 32(4), 78-108. doi: 10.1080/07421222.2015.1138368
- Rader, S., Brooksbank, R., Subhan, Z., Lanier, C., Flint, D., & Vorontsova, N. (2016). Toward A Theory of Adoption of Mobile Technology Devices: An Ecological Shift In Life-Worlds. *Academy of Marketing Studies Journal*, 20(3), 38-61

- Rogers, E., & Shoemaker, F. (1978) *Communication of innovations: A cross-cultural approach*. New York: Free Press.
- Safari Kasiyanto (2016) Bitcoin's potential for going mainstream, *Journal of Payments Strategy & Systems* Volume 10 Number 1, Tilburg University
- Seok-Woo, K., & Adler, P. S. (2014). *Social Capital: Maturation of A Field of Research* (Vol. 39, pp. 412-422): Academy of Management.
- Suarez, F. F. (2005). *Network Effects Revisited: The Role of Strong Ties in Technology Selection*. *Academy of Management Journal*, 48(4), 710-720. doi: 10.5465/AMJ.2005.17843947
- Suleymanova, I., & Wey, C. (2012). *On the role of consumer expectations in markets with network effects*. *Journal of Economics*, 105(2), 101-127. doi: 10.1007/s00712-011-0223-y
- Timo-Pekka Huhtinen (2014) *Bitcoin as a monetary system: Examining attention and attendance*, Aalto University
- Vanneste, B. S., Puranam, P., & Kretschmer, T. (2014). *Trust over time in exchange relationships: Meta-analysis and theory*. *Strategic Management Journal*, 35(12), 1891-1902. doi: 10.1002/smj.2198
- Wang, W.-T., Wang, Y.-S., & Liu, E.-R. (2016). *The stickiness intention of group-buying websites: The integration of the commitment-trust theory and e-commerce success model*. *Information & Management*, 53, 625-642. doi: 10.1016/j.im.2016.01.006
- Wim Raymaekers (2014) *Cryptocurrency Bitcoin: Disruption, challenges and opportunities*, *Journal of Payments Strategy & Systems* Volume 9 Number 1
- Yeh, Z.-T., Lin, Y.-C., Liu, S.-I., & Fang, C.-K. (2017). *Social Awareness and its Relationship with Emotion Recognition and Theory of Mind in Patients with Borderline Personality Disorder*. *Journal of Social & Clinical Psychology*, 36(1), 22-40. doi: 10.1521/jscp.2017.36.1.22
- Zhang, L., Wen, H., Li, D., Fu, Z., & Cui, S. (2010). *E-learning adoption intention and its key influence factors based on innovation adoption theory*. *Mathematical and Computer Modelling*, 51, 1428-1432. doi: 10.1016/j.mcm.2009.11.013

Political Manoeuvring and Trade Liberalization in Japan

Chayapruek Kongchan

cpkgunz@gmail.com

Abstract

It is a known fact that Japan market is a much-protected industry, especially the agricultural sector. Interestingly, in terms of trade, all this while, Japan industrial sector on the other hand, is very open and keen to liberalize, while the agricultural sector is heavily protected by trade barriers and subsidies. As compared to the industrial sector, the agricultural sector contributes less to Japan's economy. Due to protection created for the agricultural sector, it has made Japan to avoid trade liberalization until recently. This study aims to explore potential political maneuvering which affected the liberalization of trade in Japan. They are not many scholarly works that discuss about Japan trade liberalization in the political dimension. Therefore, the study will explore the political causes that lead Japan to engage in Free Trade Agreements. To complete this research, it will be conducted primarily in documentary analysis, by combining the related documents in seeking for explanation of Japan engagements in FTA. The initial findings found that the Agricultural sector can be maintained as the wall for market liberalization because of its influences in Japan politics, by becoming the foundation for a vote of the long-ruling party such as Liberal Democrat Party (LDP). So, they have their own representative in national politics. But the recent political events caused the agricultural sector to decline, with the changed in LDP ideal which embraced more Neo-Liberalist idea as shown in the "Maekawa Report" in 1986, the 1994 electoral reform, and the changing of power in LDP when the reformist mind faction became the party leader and hold the post of Prime Minister such as during the era of Koizumi and Abe. These political events lead to the declining of Agricultural sector's influence in politics and paved the way for Japan economy towards Free Trade.

1. Introduction

In January 2002, Japan and Singapore represented by Premier Koizumi Junichiro and Prime Minister Goh Chok Tong had signed an agreement that will liberalise trade and the economy of both countries. The agreement was known as Japan – Singapore Economic Partnership Agreement, or JSEPA, set to be the new dawn of Japan trade and economic policy.

Before JSEPA, it is widely known that Japan had been avoiding any trade liberalisation efforts due to its highly protected market, especially its agricultural sector. The agriculture sector has been protected due to the fact that its low competitive nature but with a high cost of production, so Japan tried to protect the sector by using regulations like high tariff rate or import quota to limit the inflow of cheaper agriculture product from foreign competitors.¹ On the other hand, Japan pursuit trade liberalisation in WTO instead of bilateral agreements or economic bloc. By that, Japan turn to multilateral trade negotiation in term of GATT.

But, the trade negotiation in GATT and WTO stage did not turn out well. In early 1990's, after GATT Uruguay round and the establishment of WTO, Japan try to pursue their trade interest through WTO's multilateral negotiation. However, the negotiation process in WTO seems to be very slow and world trade regime had changed. As Japan started to seek for a trade deal in WTO, many countries begin to form bilateral free trade agreement and established Economic bloc which, in that time, Japan is not included in any agreement or bloc. By being excluded from free trade agreement or bloc, Japan will be facing with trade discrimination. So, in the late 1990's Japan trade policy shifted from negotiation in WTO to that of pursuing bilateral trade agreement and try to engage in the forming of economic bloc.² The failure of WTO which does not meet with Japan expectation and the growing of distance between Japan and world economic trends can be seen as the beginning of Japan turn to pursue FTA.

After shifting their trade strategy to FTA, the first two bilateral trade agreements are “Japan - Singapore Economic Partnership Agreement” (JSEPA) and “Japan - Mexico Free trade Agreement” (JMFTA, later Japan – Mexico Economic Partnership Agreement, JMEPA) which was negotiated in 2001 and 2002 and the deals concluded in 2002 and 2004 respectively. Also followed by a bunch of FTA with South East Asia nations (and SEA as a bloc) and other countries such as India and Australia. For JSEPA, this agreement can be seen as preparing the ground in having more trade liberalisation with the other countries in Southeast Asia and Japan believe that if they can have a successful deal with Singapore; the Southeast

¹ Yoshimatsu, H. (1997). BUSINESS-GOVERNMENT RELATIONS IN JAPAN: THE INFLUENCE OF BUSINESS ON POLICY-MAKING THROUGH TWO ROUTES. *Asian Perspective*, 21(2), 119-146

² Urata, S. (2007). Japan's FTA Strategy and Free Trade Area of Asia Pacific (FTAAP). *An APEC Trade Agenda*, 99 - 126.

Asian countries will follow.¹ Japan engaged with South East Asia countries began with Malaysia in 2006, Thailand in 2007, the rest of ASEAN in 2008, while Vietnam was the last ASEAN countries to sign in 2009.² For the trade agreement with Mexico, the reason is not only to access the Mexican market but, also the North American Free Trade Area members (NAFTA) such as the United States and Canada which Mexico is the part of. Accessing to Mexican market means accessing into NAFTA members market as a whole.³ JMEPA is all about Japan trying to compete with the economic bloc like NAFTA, without JMEPA, Japan will lose their interest and cannot compete in that market because of bloc members have more advantages than the outsider. Without JMEPA, Japan has to face with high trade barriers like tariff and will lose the competitiveness to compete with NAFTA members, and by having an agreement with Mexico, Japan can utilise Mexico which has a lower cost of production than the other NAFTA members as a production base to access into NAFTA market.

The main trade direction of Japan since the late 1990's can be understood in the way that Japan wants to expand their economy through the channel of both bilateral agreement and engaging in the economic bloc. Trade liberalisation with the bilateral agreement and engaging in the economic bloc will secure Japan economy from trade discrimination & exclusion. Also, Japan direction is seeking for trade liberalisation deal that will give access to Japan to expand their market and at the same time to liberalise it through deregulation that will pave the way for a good environment for Japanese business to expand and invest. As for Japanese government, in order to stimulate the structural reform, giving access to outside competitor to compete in the Japanese domestic market is needed, in order to force Japanese economic sectors to regain the competitiveness.

However, the failure of WTO to cover up all of its members' interest cannot be the only factor that pushed the protectionist like Japanese government to turn into more bilateral free trade agreements, but the changing in policy direction also need political leverage. It

¹ Yoshimatsu, H. (2005). Japan's Keidanren and Free Trade Agreements: Societal Interests and Trade Policy. *Asian Survey*, 45(2), 258 - 278.

² MOFA. (2017). Free Trade Agreement (FTA) and Economic Partnership Agreement (EPA). Retrieved from <http://www.mofa.go.jp/policy/economy/fta/index.html>

³ Jerzewska, A. S. (2012). The Role of Preferences in Japan's FTA Policy Formation in Asia on a Bilateral, Minilateral, and Region-wide Level: Does Japan Need a Region-wide Agreement? (PhD), The University of Leeds.

cannot be denied the fact that political factor has influence in policymaking, even having more weight when compare to economic factor. Japan was, for a long time is a heavily protected the market, such as the agricultural sector, which protected by both tariff and non-tariff barriers. Due to low competitive nature and the high cost of production, so Japan has to prevent damages by using regulations like high tariff rate or import quota to limit the inflow of cheaper agriculture product from foreign competitors. These measures mostly come from and overseen by the Ministry of Agriculture, Forestry, and Fishery.¹ But, this protection is not only to protect agriculture through economic means, but it also involves a lot of political issues in it. The reason that made Japan Agricultural sector become politicize is because of farm voters is the main supporter of The Liberal Democratic Party (LDP), the political party that sits on the throne of the Japanese government for a very long time.² Beside from having the ruling power for a very long time which resulted in LDP creating a network of politicians, interest groups, and the bureaucrats, or the so-called “Iron Triangle”, which is the relations of each angle depending on each other in order to preserve their interest.³ The main source of power that LDP rely on is the voting power. For LDP, the people who cast the ballot and support them and made them stay in politics is mainly farmers and people in the agricultural sector. It can be said that the presence of LDP is represented by the agricultural sector interest and this is why Japan try to “avoid” the liberalisation that will harm the agricultural interest for a very long time.

At the same time when the shifted in trade policy happened, there are also many changing in Japan politics, before Japanese government and its bureaucratic led by METI began to have free trade agreement intention, in 1994, The Diet passed the bills to made electoral reform, which set the new rule for Japanese electoral politics, and resulted in changing the electoral system. By this, changing, politicians cannot only depend only some proper numbers of voting from their supporting group, but they also have to win the majority of their electoral district.⁴ Followed by Premiere Koizumi’s administration came into power in

¹ ibid

² Mulgan, A. (2005). Where Tradition Meets Change: Japan's Agricultural Politics in Transition. *The Journal Of Japanese Studies*, 31(2), 261-298.

³ Colignon, R., & Usui, C. (2001). THE RESILIENCE OF JAPAN'S IRON TRIANGLE. *Asian Survey*, 41(5), 865-895. doi:10.1525/as.2001.41.5.865

⁴ Mulgan, A. G. (2005). Where tradition meets change: Japan's agricultural politics in transition. *The Journal of Japanese Studies*, 31(2), 261-298.

early 2000's, which brought the reformist idea such as liberalisation and centralizing administration power to Prime Minister office, decreasing his own LDP's "Iron Triangle" network power.¹ And it seems to be connected when politics changed, trade policy also changed. After Premiere Koizumi came to power with reform agenda, first two agreement, JSEPA and JMEPA, was concluded and followed by opening the negotiation with the other. Political changing and the raising in number of FTA, both concluded and, in the process, seem to be related, the numbers of Japan FTA are raising when political changing happened. When power briefly shifted to Democratic Party of Japan (DPJ), which DPJ seems to not depend on much support from interest group like LDP, they even looking forward to joining with TPP which seem to be heavily affected to Japan market. (The agreement was concluded later when Clapback to power).²

The question arose from that, while changing in Japan domestic politic emerged, the FTA and trade liberalisation policy also emerged too, then, are there any relation between political changed and free trade policy? 4 years after electoral reform, Japanese government began the talk about free trade agreements with Singapore and Mexico, when Premiere Koizumi began to did the structural reform, FTA with Southeast Asia countries was negotiated and concluded, when power had changed to the hand of DPJ, the Japanese government announced their intention to participate in TPP, or in another word, free trade and liberalisation policy will come up when political changed happened. So, what is the political maneuvering behind the policy? How changing in domestic politic resulted in to promote and obstruct free trade and liberalisation policy?

This study will explore and investigate the relation between political change and the emerging of Japan FTA policy to explain what, why, and how political manoeuvring Japan Free Trade Policy

2. Literature review

2.1 Trade Policy

The trade policy and direction, from the official statement "Japan's FTA Strategy (Summary)" which stated by Ministry of Foreign Affair, Japan will be securing their economic

¹ Uchiyama, Y. (2010). Koizumi and Japanese politics: Reform strategies and leadership style. Routledge, 12 - 16

² Mulgan, A. G. (2011). Agricultural Politics and the Democratic Party of Japan. Japan Studies Online

interest by maintaining and strengthening the free trade system by engaging in FTA. MOFA stated that Japan will gain economic advantage, and both import and export market will expand with the liberalisation by engaging in a free trade agreement. MOFA also stated that Japanese government and domestic industries have to work closely together in policymaking. MOFA considered East Asia as Japan major trading partner and aim to ties the economic relationship by FTA. Liberalisation in East Asia, which account for the highest percentage of trade with Japanese products, especially Southeast Asia, will help Japanese business activities and can be more competitive with China and ASEAN that somehow, shifted the base of the production to East Asia.¹

The reason that East Asia is important to Japan strategy, in Shujiro Urata “Japan's Trade Policy with Asia”, he said that because Japan trading with East Asia greatly expand while this region also rapidly growing. This is because of economic growth rate; East Asia growth rate is higher than the others Japan trade partners like North America and EU. And the important reason behind the greatly expanded in the economic growth of East Asia is Japanese business invest in East Asia more than other regions. By becoming “World Factory” of East Asia, Japan can export products like industrial machines and industrial technology and invest in the industrial sector in East Asia for cheaper cost of production while import end goods back to Japan. Also, Japan can export from East Asia to the rest of the world by supplying intermediate goods for the East Asia market.² Urata also shows that firstly, the increasing of FTA (and FTAs) caused a lot of trade discrimination, so Japan has to secure the market for their firms by engaging and establishing FTA. Second, liberalizing market will stimulate the structural reform to Japan economic, so, the domestic firms will improve their competitiveness because of more competition from liberalizing the market. And the last one is concordantly to the MOFA official statement, Urata said that accessing to East Asia developing countries by FTA would providing benefit and business opportunities for Japanese firms. Japanese government recognized FTA as an option for achieving trade liberalization.³

¹ MOFA: Japan's FTA Strategy (Summary). (2017). Mofa.go.jp. Retrieved 10 May 2017, from <http://www.mofa.go.jp/policy/economy/fta/strategy0210.html>

² Urata, S. (2014). Japan's Trade Policy with Asia. Public Policy Review, 10(1), 1-31.

³ Urata, S. (2007). Japan's FTA Strategy and Free Trade Area of Asia Pacific (FTAAP). An APEC Trade Agenda, 99 - 126.

Emphasizing with East Asia also seen from Ogita work. After concluding the deal with Singapore in 2002, Junichiro Koizumi, Japanese Prime minister proposed to ASEAN members to conclude FTA similar with JSEPA himself. Koizumi’s government saw that JSEPA can stimulate the ASEAN members to follow the same trade agreement as Singapore.¹

2.2 Political Maneuvering and Free Trade Policy

To understand the political maneuvering behind the policy, it should begin by looking at the Basis of Japan policymaking. This can be the first hint about the relation between politics and the making of policy.

Tokiko Yamamoto Bazzell explained that Japan policymaking process begins in the government body like in ministry, the ministry’s bureaucrats propose drafted a bill to intra-ministry organs to review the bill. When the bill gets approved, the bureaucrats will form an official advisory commission as a study group, which also, the commission will be working with the ruling party policy committee and expertise in the area of policy. After finishing the study in the commission, the bill will pass to the cabinet legislation bureau (CLB) to check on its legality, and this bureau will also be working on pooling support from ruling party Diet members. When the bill passes CLB, the bill will have presented in a cabinet meeting and if the cabinet approves and support it, the bill will go to Diet and will go through several processes before the full Diet discussion and vote.²

By the process that policy bill has to pass LDP (as the ruling party) PARC, Mulgan argue that the PARC function can allow the politicians who participate to be influential in policymaking. All of the policy bills must be submit to PARC to review, discussion, and approve, before passing to cabinet and Diet, PARC can veto the bill even it does not have legal status. The function of PARC also provides the discussion and debating ground for LDP members, which can shape the bill to be in their favor. Then, by the informal power to approve or object the bill, the LDP members can influence the policy to serve the favor of the interest group that they represent. They can reshape, approve, or oppose the policy that will be affected what they represent. In return, they can get both political and financial

¹ Ogita, T. (2002). An Approach Towards Japan's Fta Policy. APEC Study Center, Institute of Developing Economies, JETRO.

² Bazzell, T. (1998). Accessing Japanese Government Documents - Policymaking Process and Document.

support. The interest groups that LDP members represented are vary from farmers to industrial companies, which mean they represent widely interest. So, the members who participate in PARC are divide into “zoku” (tribe) depend on what they represent for. From this, Mulgan points out that the policymaking process becomes politicize by the PARC, which provides the ground for the politicians to involve. This work also showing that even the bureaucrats are the one who has recognized as the dominating power in policymaking, but with this system, the one who decides that the policy bill will live or die is the politicians.¹

Also, in Muramatsu and Krauss work, they Krauss stated that the triad ruling model is only concerned the top – level or elite bureaucrats and politicians, they suggested that actually, the triad ruling model should also account the whole bureaucratic system, not only the elite. Anyway, their work showing the evidence that the policymaking process is influenced by a political factor. The bureaucrats are not the only main policymaker, but also the ruling party politicians and the interest groups, as the triad ruling model. This triad ruling model working by the interest group support the politicians both political and financial in exchange for the politicians will represent their interest, and the bureaucrats will work closely with both politicians and interest group “to assure conservative policies” and preserve the connection and network between each other.²

However, some scholars argue that the domination of the Triad Ruling model or the Iron Triangle over policy-making and the channel for politicians to influence in policymaking are declining when the political atmosphere changed.

Hiroki Takeuchi explained that the changing in electoral system from Single non-transferable vote or SNTV in 1994 which allowed politicians to have only some proportion vote in the district to get elected into the mixed-member majoritarian (MMM) electoral system which consisting of single-member districts (SMDs) and the proportional representation (PR) electoral that make politicians can be elected by winning the majority

¹ Mulgan, A. (2013). Party-bureaucratic government. In Japan’s Failed Revolution: Koizumi and the Politics of Economic Reform (pp. 129-176). ANU Press.

² Muramatsu, M., & Krauss, E. (1984). Bureaucrats and Politicians in Policymaking: The Case of Japan. *The American Political Science Review*, 78(1),

not only some proper vote portion like in SNTV system that allowed Politicians to just gather some proper portion of vote to be elected, this transformation caused the big change. This changing cause the declining of triad ruling model power, especially LDP politicians in PARC. So, it seems to be the system that made politicians can represent the interest group was broken up because the interest group can have their own representative in the political stage only with SNTV electoral system. It also brings another change in Japan politics. The electoral reform which decreasing the influences of triad ruling model also caused the raising of executive power. The Hashimoto government responded to the declining of triad rule model by reinforcing the power of the Prime Minister office (Kantei), creating the council of economic and fiscal policy (CEFP) and start to restructure cabinet's ministries, this is the beginning of top-down policymaking.¹

Another big change in Japan politics and policymaking after the rule was changed by electoral reform is the regaining and centralizing of power to the executive. Uchiyama explained that when Koizumi came to power in the early 2000's, he began to move away from relying on the traditional framework of LDP politics and end the thing that Uchiyama call "1995 system". By trying to centralize the power into his own inner circle, he brought the principle of "Kantei – Directed", which made the Prime Minister have the authority over the central government organ in term of policymaking. Also, he decreases LDP factions' power to prevent them from interfering in administration for their interest by using and appointed his own people to the important post, then, the influences of LDP Zoku had been declined because the Kanei – Directed made the politicians who represent the interest groups in zoku (tribe) and the influential PARC to be excluded from policymaking process. Even though, changing from the bottom – up to top-down policymaking process cannot fully wipe the influences of politicians in policymaking because in the end Koizumi still needs LDP, but Koizumi success in term of minimizing the power of LDP zoku and PARC to intervene in policymaking, causing their declining of power.²

Some scholar also showing that not only changing in electoral reform and policymaking priority, but the shifting of political power from ruling party to another party also seems to be one of the political factors that related to the birth of FTA policy. In "The Impact of

¹ Takeuchi, H. (2016). *The New Trend in Japanese Domestic Politics and Its Implications*

² Uchiyama, Y. (2010). *Koizumi and Japanese politics: Reform strategies and leadership style*. Routledge, 12 - 18

Rural Votes in Foreign Policies: The FTA Policies under the DPJ Government in Japan”, Hiroro explained that the free trade policy is hard to be done when LDP is the government, because of the influences from zoku and Agricultural sector, even their power is diminishing, but still have some that strong enough to intervene. However, when ruling power shifted to DPJ in 2009, DPJ seems to be more active in pursuing FTA, even one of the cabinets stated that the Agricultural sector should sacrifice for the Japanese economy. DPJ also be the first Japanese government that showing the intention to join TPP. Despite the fact that actually, there is no FTA concluded during the DPJ era, but on negotiation during that time was concluded just after the ruling power shifted again in 2012. This happened because actually, DPJ main supporter is not the farmer, but the urban area voters, which mean DPJ did not represent the interest of Agriculture, so they can issue the policy that not served the interest of the main liberalisation opposition. This work showing that the policymaking also depends on who is in charge and who support the one who in charge, the farm voters are not DPJ supporter, so the DPJ will not represent their interest in the policymaking process.¹

3. Methodology and Theoretical framework

This research will conduct mainly as a documentary research. By applied this methodology, the sources like contents and statistics will be used to study and analyze the political maneuvering behind the Japan Trade Agreement. This paper will study the changing of Japanese domestic politics and the political maneuvering that shape and effect to the outcome of Japan Free Trade Policy and Free Trade Agreement. Seeking of explanation of the relationship of political changing and FTA policy will be based on two theories, the theories of Neo – Institutionalism and Neo-Liberalism will be the main theories in this study, these two theories will be used to explain the changing in Japanese politics that affected to Trade policy.

3.1 Neo – Institutionalism

The Neo – Institutionalism or New Institutionalism is an approach which combines sociology, economic, and politics together to explain how institute interact and affect the society. The behavior of related institutions is the main factor that shapes how society or

¹ Sasada, H. (2013). The Impact of Rural Votes in Foreign Policies: The FTA Policies under the DPJ Government in Japan. *Asian Journal of Political Science*, 21(3), 224-248.

political and economic goes. The leading founders of Neo-Institutionalism, James G. March and Johan P. Olsen, argued that analyzing on institution is a must in order to understand the behavior of each actors that will influences to society or the whole structure, why their behaviors are like that and what is the causes of that behavior, which in the end resulted to their actions or decisions.¹

Then, the equation of this theory is the way that institution interact with society, will result in shaping how society looks like, in another word, if the institution changes their behavior, how society looks like will also change. Rule of the game is set by the institute, both informal social norms and the formal legal rules, institute can be a constitution, law, government, political party, social – private organization, and culture for example, when one of these change no matter which way, will affect the society or each individual (which can be also another institute) that they interact with. The policymaking, the institutes that set rule of the game are the one who their interest overlapped. The policy is the resulted of the institutes’ behaviors interact with each other.

3.2 Neo-Liberalism

The idea of Neo-Liberalism is the economic theory which argues that the more state intervention, the more worsen to economic performance because state intervention will distort market mechanism. Neo-Liberal advocate that the free market will stimulate more economic growth and market will be more efficient, that is to say, Neo-Liberalism supports economic liberalisation. By reducing the role of government and encourage the private sector to take more role in the economy, also support free trade, deregulation, and privatization.² Market mechanism and less intervention from government, as Neo – liberalists believe, will eliminate trade barriers, price control, and capital market will be deregulated.³

¹ March, J. G., & Olsen, J. P. (1989). *Rediscovering institutions: The organizational basis of politics*. New York: The Free Press.

² Goldstein, Natalie (2011). *Globalization and Free Trade*. Infobase Publishing. p. 30.

³ Taylor C. Boas, Jordan Gans-Morse (June 2009). "Neoliberalism: From New Liberal Philosophy to Anti-Liberal Slogan". *Studies in Comparative International Development*. 44 (2): 137–161.

In “The Handbook of Neoliberalism”, Neo-Liberalism has been defined as “At a base level we can say that when we refer to 'neoliberalism', we are generally referring to the new political, economic and social arrangements within society that emphasize market relations, re-tasking the role of the state, and individual responsibility. Most scholars tend to agree that neoliberalism is broadly defined as the extension of competitive markets into all areas of life, including the economy, politics and society.”¹

Free trade is the part of Neo-Liberalism idea, by reducing trade barriers and deregulation, free trade will bring the market mechanism to adjust things. The demand and supply will meet the equilibrium without distorting from barriers.

4. The brief history economic, trade policy, and political changing

4.1 Miracle era and the “Maekawa report”

From the ruins to modest, Japan was recovered from a scrap of World War II to be the most developed country in Asia and world economic superpower. To dig themselves out of ashes, Japanese government resurrect Japan economy with the policy that some scholars describe it as “Miracle”. The well-planned policy and the leading of the Japanese government are the key to this miracle.

The Post-war era, from 1945, was the crucial time for the Japanese government to bring back Japan. After the war, Japan faced with a lot of socio-economic problems, losing population around 3,100,00 both civilians and military combined², Industrial production index nearly drops down to zero and the total assets of National wealth were loss around 25%, which caused a lot of damage to Japan economy. The lost in National wealth assets included 34.2% of industrial machinery and 24.6% of the structure.³ Japanese government needed the solution that can save Japan from economic collapse.

¹ Springer, Simon; Birch, Kean; MacLeavy, Julie, eds. (2016). *The Handbook of Neoliberalism*. Routledge. p. 2

² Ishikida, Miki (2005). *Toward Peace: War Responsibility, Post-war Compensation, and Peace Movements and Education in Japan*. Universe, Inc. (July 13, 2005). p. 30 (figures of Japanese Ministry of Health and Welfare)

³ Ohno, K. (2006). *The Economics development of Japan: The path traveled by Japan as a Developing Country*. GRIPS Development Forum.

Firstly, during the U.S. occupied period, the Japanese government was tried to stabilize the economy, which facing the problems of inflation and output shortage. Because the government wants to cope with the output shortage due to industrial damaged and unemployment problems, so they decided to print more money to support Japan financial market, also, the government printed money in order to support Recovery Financial Fund (Fukkin) that gave loans to needed priorities industries. But, in the end, the Japanese government still unenabled to stabilize Japan economic. So, by the help from Washington, Joseph Dodge, American banker presented so-called “Dodge line” policy, which aims to stop the subsidies and financial support loans, improve the taxation and stop expanding, trying to make a budget surplus, reducing the intervention, and etc. Dodge line alongside with the beginning of Korea war in 1949, Japan became the supply base for forces in Korea peninsula, increasing of demand. This made Japan post-war economy stability was restored and the miracle or high growth era began.

The economic miracle or high growth era seem to begin around 1950’s and last until the late 1980’s or early 1990’s. Japan government, by the Ministry of International Trade and Industry (MITI), is the main actor that guided Japan economy by what Chalmers Johnson called “MITI’s high growth system”. MITI provide the suitable environment and supportive of growth for the industries, by importing the technology for selected industries that MITI want to support and control the foreign exchange in order to control the price of export and import. MITI also have the power to control taxes which can provide tax break and prevent outsider to compete in the domestic market.¹ Also, under Ikeda administration, Bank of Japan (BOJ) control the financial sector by lending the loans to commercial bank which commercial bank will issue the loans to the industries, so, in the end BOJ became the financial supporter and creditor to the private sectors, which private sector in the post-war era contain around 80 percent of capital from bank loans.² It can be said that the Japanese government and MITI shape Japanese economic in the way they want through guided policy and intervention, by financial support, tax shelter, and protection, the private sectors were forced to follow the path that government needed in order to secure support and subsidies. From -50 percent of real GDP growth rate, the guided economic policy, and heavily intervention bring Japan back to very high growth rate nearly 30 years. Since 1946,

¹ Chalmers A. Johnson (1982). MITI and the Japanese Miracle. Stanford University Press. P.199

² Ibid P.203

Japan GDP growth rate usually above 5 percent every year, even reach above 10 percent for many years, reaching 12.87 percent in 1968.¹

The model that the Japanese government used to archive the high growth era can be described as the “the developmental state”, state-led macroeconomic planning.² By intervene directly and indirectly, like financial support, regulation, price control, providing public spending that will support growth like infrastructure, and etc., Japanese government can choose which sector need to be develop and strengthen their competitiveness and also can distort the market mechanism for the sector that cannot compete in order that sector can remain strong and prevent the market mechanism to weaken the sector. MITI provides support so the industrial sector can reach their maximum productivity alongside with promoting economic growth. For the other sector like the Agricultural sector, the guidance and support came from other bureaus like the Ministry of Agriculture, Forestry, and Fisheries (MAFF).

To maintain the continuity of the policy, the continuity of the government is needed. Fortunately, the government that brought the developmental state model to Japan can hold the ruling power 38 years. The Liberal Democratic Party (LDP or Jiminto) rose to power from 1955 to 1993, which range from the early year of high growth era until the last. The 38 ruling years of LDP means that the policy can be carried on without any interruption from political factors like changing the regime. In another word, luckily, the developmental state model, planned economy, and guided policy resulted in the economic boom, so, in return, the LDP can get political support to be ruling party in order to maintain the policy. However, the high growth era only remains around 30 years. In the early 1980’s, the GDP growth rate started to drop below 5 percent. In 1990, the GDP growth rate is 4.89 percent and in 3 years, the growth rate dropped down to -0.52 percent, and to -1.13 percent in 1998. This slow growth and economic stagnation occurred by “Japanese asset price bubble” in the late 1980’s and brought Japan to the era of “Lost decade”, from 1990’s to 2000’s. The bubble burst caused by the appreciation of Yen in 1985, which resulted in the diminishing of Japanese export. BOJ response by easing the money and lowered the

¹ Maddison, Angus. 2003. *The World Economy: Historical Statistics*. OECD Publishing, Paris.

²Chang, Ha-Joon. 1999. "The Economic Theory of the Developmental State." in Meredith Woo-Cumings (ed.), *The Developmental State*. Ithaca, NY: Cornell University Press. p. 182-199

interest rate of short-term to stimulate domestic demand because of the capital already flow out to investment in expanding businesses and real estate, but BOJ easing too much money to back the real estate loans alongside with the recession, BOJ cannot tighten the money and stop the increasing of asset price. When expanding of businesses and real estate did not return the benefit, the stock market started to collapse and the asset price that heavily increasing in the late 1980's fall down, the loans became non-performing assets loans and financial institutions like bank began to face with difficulties and be illiquid.¹ Krugman explained the bubble burst that "Japan's banks lent more, with less regard for the quality of the borrower, than anyone else's. In doing so they helped inflate the bubble economy to grotesque proportions."²

The bubble burst followed by "The Lost Decade" in 1990's to early 2000's, the lost decade can simply describe the cause with the low domestic demand, Japanese people saving too much and less in spending. The low of domestic demand caused the deflation in Japan economic. BOJ cannot lower the nominal interest rate because is already really close to zero during the bubble burst, or simply understand as "liquidity trap".³ Without domestic consumption and financial institution illiquidity to lend more loans because of the debt crisis, Japan economy start to halt because bank stop lending the money, the businesses and needed industries did not have money to invest.⁴ All of this caused the long-term recession and lost decade to Japan.

However, the Japanese government was already warned and suggested the resolutions. In the years of Nakasone's administration, Maekawa Haruo, former director of BOJ was appointed in 1986 to be the chairman of "The Advisory Group on Economic Restructuring" for designing economic reform to be the new growth strategy. The economic reform from this committee is recognized as "Maekawa report", which recommended Japanese government to decrease the dependence on export-led economic and promote domestic demand instead, also recommended Japanese government to deregulation the private

¹ Kunio Okina, Masaaki Shirakawa, and Shigenori Shiratsuka (February 2001): The Asset Price Bubble and Monetary Policy: Japan's Experience in the Late 1980s and the Lessons

² Krugman, Paul (2009). The Return of Depression Economics and the Crisis of 2008. W.W. Norton Company Limited.

³ ibid

⁴ Yoshino, N., & Taghizadeh-Hesary, F. (2017). Japan's Lost Decade. Springer.

sector and more rely on the market mechanism. The report stated that despite Japanese government balance of payments surplus was high and the ordinary income in 1980's has grown to the 3.6 percent of GNP, from the development point of view, these can be a crisis situation and can be the cause of the slow or negative growth.¹ The key goal of the Maekawa report is to reducing surpluses by increasing more imports and expanding domestic consumption and demand. Followed by policy propose for stimulate domestic demand by increasing public investment and bringing tax cut for support disposal income, reform the industrial sector by support more inward foreign direct investment and expand more import of agriculture, or in the other means, liberalising the agricultural sector. Maekawa report also proposes to having the policy that will deregulate market by based Japanese market with more market mechanism, liberalise financial market and be more flexible with monetary and fiscal policy.² By all of this proposal, the committee believes that the strategy from the Maekawa report will be suit for Japan economic in order sustain the growth and economic prosperity, and this should be replace the model that had been used since 1950's which seem to be not suited for the situations anymore.

The Maekawa report can be seen as the first attempt from the government to shift from a state-led economic planning model to be less intervene and liberalise the economic. This also can be recognized as the root of Neo-liberalism idea in Japan economic, which state step back and let the market mechanism do the work. Unfortunately, since the report was published and propose to the government, it takes nearly a decade for the Japanese government to embrace the idea from the Maekawa report.

4.2 1994 Electoral reform

The resulted of economic poor performance and declining of growth caused the big change in Japan politics. The power of the longtime ruling power of LDP had been shaken due to the economic problems and lead to the first time that ruling power shifted from LDP to the other.

¹ Maekawa, Haruo; Special Committee on Economic Restructuring. (1987). Maekawa Report (The Report of the Advisory Group on Economic Restructuring).

² Tokuoka, K. (2010). Rebalancing in Japan: The Role of Private Consumption (No. 10-293). International Monetary Fund. P.6-10

By the corruption scandal that ruling party politicians involve with and the distrust in government because of the failure in economic policy that affected from the recession and the bubble burst which was raised by the coalition of LDP oppositions, LDP and the ruling party coalition was split and resulted in defeated. The political reform issue was called and mainly aim to reform the electoral system. Reforming the electoral system means that power structure in Japanese politics will be change, in terms of the relation between the politicians and the voter, and the politicians and the interest groups that they represent for.

The 1st non-LDP government, Hosokawa Morihiro's administration from Japan new party (Nihon Shinto – JNP) came to power in 1993, during the early of the lost decade and after the political scandal which resulted in LDP defeated. In 1994, new administrator introduced the new electoral system by enacting “the Act on Partial of the Public offices Election Act” to the House of Representatives.¹ The electoral system has changed from the “Multi-Member-districts” system (MMD) with the “Single non-transferable vote” (SNTV) to “Single-Member electoral district” (SMD) with “Proportion Representation” system (PR).²

The new SMD system that introduced in 1994 had changed the way how candidates elected. From the system that allows more than one representative in one district, SMD changed the system to only one candidate can be elected in the district, only the one who gets the most vote. Then, the proper vote is not enough for a candidate to be seated, they need to win the election. The candidates cannot represent the interest of the group of supporters anymore, they need to represent more vast interests to get support from the whole district. For the PR, the voter can vote for the party parallel with the SMD candidate, but the voter will give the vote for the party in the region, and in the end, each party will be given the seat followed by the number of votes received, prior to the candidate that they ranked.³

¹ Iwasaki, M. (2014). Party System Change and Electoral Reform in Japan.

² Sakamoto, T. (1999). Explaining Electoral Reform: Japan versus Italy and New Zealand. *Party Politics*, 5(4), 419-438.

³ Reed, S. R., & Thies, M. F. (2001). The causes of electoral reform in Japan. *Mixed-member electoral systems: the best of both worlds*, 152-172.

This reform causes the changing in Japan politic which affected to all level. The relationship between politicians and supporter had been changed, politicians tend to be more “representative of everyone” rather than only some interest group. This made the influences of interest groups that supported the politicians before the decline because the politicians are need votes from everyone in the district. Especially for the Agricultural interest group, which support and gather voters for the LDP politicians before, their influences are declining, later that, the declining of the influences can be seen from the LDP’s policy in the next decade.

4.3 Years of Koizumi and the emerging of FTA

In 1996, 2 years after the electoral reform, LDP came back to power again, which this time brought some changing to Japan politics and economic. The most interesting thing is Japan began the structural reform and, the first free trade agreement emerged after the return of LDP.

By reforming the electoral system in 1994 and the look for economic problem solution, LDP, by the declining of the influences from the main interest group that support LDP like Agricultural sector, Japan economic and trade policy began to shift to be more liberalise. Before that, even in the GATT Uruguay round, the Agricultural sector and their representative in LDP like Agricultural tribe (Norin Zoku) are the obstacles for Japan trade policy to liberalise trade. Interestingly, many free trade agreements were beginning to negotiate and signed when the reformist mind Koizumi Junichiro was Prime Minister.

Beginning in 1998 and 1999, during the years of Obuchi’s administration, the process of studying the FTA with Mexico and Singapore began. This will be the first two trade liberalisation agreement for Japan. The negotiation with Singapore began first in 2001, followed by Mexico in 2002. The “Japan – Singapore Economic Partnerships Agreement” (JSEPA) was signed in 2002 and the “Japan – Mexico Free Trade Agreement” (JMFTA – later, Japan – Mexico Economic Partnerships Agreement, JMEPA) was signed in 2004. It took longer for the deal with Mexico than with Singapore, because with Singapore, Japan can

exclude the liberalisation of Agricultural product, while Mexico was needed to include, so Japan has dealt with the domestic agricultural sector before concluded the agreement.¹

Another in Japan politics big change happened when Koizumi Junjiro came up with power, he won the election and stepped up as prime minister in 2001 by promising the Japanese with the structural reform. The main goal is to liberalizing Japan economic, and reforming his own LDP. To archive the economic structural reform, Premiere Koizumi must diminish the power of the zoku in his party first, which zoku represented the interest from their supported group, and the zoku, as diet members, usually interfere with the policy-making process. He replaced the system that LDP zoku and the bureaucrats must review the policy beforehand to the administration by centralising the policy-making the process to the administration instead, changed the bottom – up policy-making process to top – down. This reform seems to happen because electoral reform in 1994 made the politicians less dependent on the vote from the interest groups, so the power of the interest groups that project through the politicians have been decline.²

Premiere Koizumi success in emphasize market mechanism to Japan economic and less intervention from the government. He successfully reforms the financial sector, cut down the central government subsidies program, and privatize postal service, also aim to bring market mechanism to Japan market. As for the Maekawa report, Premiere Koizumi policies also can be recognized as the embracing of the Neo-Liberal idea, or in another word, this seems to have some root from what the Maekawa report proposed. Koizumi's reform brought the engaging with FTAs to Japan, by less interfere from Norin Zoku and aim to liberalise Japan. It can be said that Koizumi's reform is one of the main drives for Japan to pursue FTA in order to liberalising the market. FTA will bring the market mechanism to the sector that cannot compete and force that sector to regain their competitiveness without intervening from the other force.³

¹ Yoshimatsu, H. (2006). The politics of Japan's free trade agreement. *Journal of Contemporary Asia*, 36(4), 479-499.

² Uchiyama, Y. (2010). *Koizumi and Japanese politics: Reform strategies and leadership style*. Routledge, 12 - 16

³ Yoshimatsu, H. (2006). The politics of Japan's free trade agreement. *Journal of Contemporary Asia*, 36(4), 479-499.

4.4 DPJ era

After Premier Koizumi stepped back from the throne in 2006, his successors, Abe Shinzo, Fukuda Yasuo, and Aso Taro failed to maintain LDP ruling power and in the end, were defeated in the 2009 election. The winner, Democratic Party of Japan (Minshuto – DPJ) came into the power. When the shift happened, public hope that DPJ will be more reformist than LDP, but what happened is DPJ seems to be more passive and did not bring much change to the government policy.

DPJ had been recognized as the urban party, rely on support and represent the interest for the urban voter, unlike LDP that usually rely on the rural voter. Since 1998, DPJ advocated themselves as more liberalist, promote economic liberalisation and FTA, also promote income support program for farmer instead of price support. However, what DPJ advocated before they won the election seem not to be delivered. There is not much change in DPJ years, Hatoyama Yukio, Kan Naoto, Noda Yoshihiko, three DPJ Prime Minister during 2009 – 2012, cannot bring about the change that public expected.¹ The era of DPJ did not have much different from traditional LDP, there is no FTA negotiation with Japan major trade partners, only two FTA with India and Peru (Japan – India Comprehensive Economic Partnership Agreement and Japan – Peru Economic Partnerships Agreement), the DPJ government also reluctance to participate in Trans-Pacific – Partnership (TPP) negotiation.

So, it can be said that the shifting of power in 2009 until the return of Abe in 2012 did not mean policy direction changed. One of the reasons that made DPJ acted the same as traditional LDP is the changing of DPJ voting target. From the party that represents urban’s interest, instead, DPJ tried to “catch-all” the vote, both from the urban and rural area, which mean they tried to represent the different interest of both urban and rural area. DPJ won the seat in a rural area equal to LDP in 2009. This made DPJ policy direction be not in the proper order. For example, DPJ, by the secretary-general Ozawa Ichiro, tried to a compensated farmer with income subsidies program while tried to promote the Agricultural liberalisation by FTA, but, both policies still cannot harmonize the liberalisation and the

¹ Lipsky, P. Y., & Scheiner, E. (2012). Japan under the DPJ: The paradox of political change without policy change. *Journal of East Asian Studies*, 12(3), 311-322.

needed of Agricultural sector.¹ The DPJ's catch-all made DPJ's ruling time hard to find the middle ground because they have to please both interests.

The regime changed from LDP to DPJ seem to not bring much change to Japan economic and trade policy, no significance reform or promoting of the important FTA. The reformist idea must decrease the priority when they began to replace LDP in the rural area. Another interesting point during the DPJ era is, no matter how the electoral reform in 1994 decrease the influences of interest groups in politics, the politicians still need to consider the Agricultural interest group, because they still are the one of the biggest group of voters in electoral politics.

4.5 Return of LDP and Abe reform

LDP became the ruling party once again after the victoried in 2012 general election and Abe Shinzo also returns to the Prime Minister post again too after he was elected in 2006 and left the office in 2007. As the successor of Koizumi, Abe is a reformer as well. When Abe took office, Japan is still facing a recession and was affected by the Hamburger crisis. To save Japan economic, Abe proposed the reformist policy, which later well-known as “3 Arrows” policy or so-called “Abenomics”.

Abenomics consists about the “3 Arrows” policy, Monetary easing, Fiscal stimulus, and Structural reforms. The first arrow, Monetary easing, concentrate on the role of Bank of Japan to inject the liquidity to Japanese economic which facing deflation for very long time, can be seen as unorthodox monetary policy. Followed by the Fiscal stimulus, which begins with 20.3 trillion yen “Emergency Economic Measures for The Revitalization of the Japanese Economy”, focusing on building the infrastructures and facilities that damaged from the 2011's incident, and aiming to create work and stimulate employment. The last one, Structural reforms, Abe's government planned this arrow for long-term, aiming to draft new regulation for businesses, liberalising Japanese market, etc. The main goal is to revive the competitiveness of Japanese economic.²

¹ Mulgan, A. (2011). Agricultural Politics and the Democratic Party of Japan. *Japanese Studies Online*, 2, 22-30.

² McBride, J., & Xu, B. (n.d.). Abenomics and the Japanese Economy. Retrieved January 25, 2018, from <https://www.cfr.org/backgrounder/abenomics-and-japanese-economy>

So, the Abenomics 3 arrows can be shown that, since Premier Koizumi, LDP's administration embraced the idea of Neo-liberalism, changed from state-led "developmental state" mind to be less intervene and let the market mechanism do the work. For Trade Liberalisation and FTA, Abe's administration can conclude a very long time negotiated FTA with Australia, one of Japan's major trade partner and world leader of Agricultural exporter which launched the negotiation in 2007 and enter into force in 2015. Also, Since Abe came back to power, many FTA began to launch the negotiation process, which consist many important Japan's trade partners, like European Union, the Trilateral Trade Agreement between Japan-China-Republic of Korea, and Regional Comprehensive Economic Partnership, which are included the ASEAN members plus China, Australia, New Zealand, and Republic of Korea. Abe's administration also joined the TPP, which during DPJ's era, the DPJ administration reticent to participate in.

Abe also is the first Japan Prime Minister that can success to limit the power of the political force that obstructs Japan liberalisation policy, the Agricultural sector interest group. In 2013, Abe's administration started the program of Agricultural Cooperative (JA) reform, which completed in 2017 and will take effect in 2019. In summary, the new law will decrease the power of Central-Union of Agricultural Cooperative (JA-Zenchu) to control the local Cooperative, which means the local cooperative can have more freedom to operate, and also, JA-Zenchu will be faced with the difficulties if they try to use local cooperative in a political way, for example, using the local cooperative as the vote-gathering machine for their own candidate in election.¹

The returning of LDP led by Abe brought a lot of changed to Japan, it also can be seen that he succeeds what Koizumi tried to do, the structural reform. Abe now trying to bring the market liberalisation to Japan by using FTA as a force, he also archives the agricultural reform, in term of decreasing of their political power that is the main Japan's liberalisation obstruction. Premier Abe seem to gradually lead Japan with the idea of Neo-liberalism, less intervention and more market mechanism, which seem to succeed in doing it. It took around 20 years from Maekawa's report first proposed for Japan to begin the changing.

¹ Mulgan, A. (2016). Much ado about something? The Abe government's reform of Japan's agricultural cooperatives (JA). *Japanese Studies*, 36(1), 83-103.

5. Conclusion: The Changing of Institutional behaviour and ideal

Even it can be seen from the history that Maekawa report should be recognized as Japanese government as institution trying to change the behaviour, from developmental state mind to Neo-Liberalism mind, but the essential point that caused the institution behaviour changing to embracing of Neo-Liberalism idea succeeded and followed by trade liberalisation is the 1994 electoral reform. Without this reform, the FTAs could not have happened, because the electoral reform surprisingly resulted in decreasing the power of trade liberalisation main obstacle, Agricultural sector political power.

The electoral reform caused the declining of Agricultural sector political power by changing the way politicians get elected. By less relying on Agricultural interest group vote gathering (or, farm voter), the Agricultural sector became having less represented politicians, which resulted in less bargaining power in terms of policymaking. Before that, the Agricultural voters are well organized by the interest group so-called “Central Union of Agricultural Cooperative” (JA or JA-Zenchu or Nokyo) which represents the interest of Agricultural sector, which seem to be the one who rallies support to LDP political campaigns. By working as the civilian cooperative body under the Ministry of Agriculture, Forestry, and Fishery (MAFF) and the cooperative organization of the Agricultural sector, JA seems to be the middleman between government and farmers. With the voting power from its members and relations with the bureaucratic, JA can influence to politicians and bureaucrats who involve with policymaking in exchange for JA political support.¹ JA as the representative of the Agricultural sector with the political instrument in their hand is the one who opposes Japanese government free trade policy, which they see trade liberalisation as the harmful policy to the Agricultural sector. The influences of the Agricultural sector can be seen from how Japan select their partners or how Japan architect their policy and agreements, for example, JSEPA with Singapore, the agricultural products are excluded from liberalisation from the agreement and using the tariff rate under WTO basis instead.² Also, followed by JMEPA, it struggled for a very long time before it can conclude the agreement by the opposing from the Agricultural sector, in order to protect the market from Agricultural products from Mexico, in the end, only some products were liberalised and introduced

¹ Mulgan, A. (2000). *Organisational politics The Politics of Agriculture in Japan*. London: Routledge.

² Fukunari, & Mitsuya. (2008). *Japanese FTA/EPA Strategies and Agricultural Protection*.

import tariff quota to some products like pork.¹ However, the influence of JA to involve in policymaking becoming less and less.

The Declining of Agricultural sector leads Japan trade policy to be more liberalise because government and politicians tend to less influences by Agricultural interest group. Japan began to liberalising trade, even with the Agricultural export countries such as South East Asia countries, Australia, or in the joining of massive economic bloc like TPP that will lift the Agricultural barrier away.

The 1994 electoral reform also affected the changing in institutional behavior, for example in the Koizumi era. The era of Koizumi can be seen as the biggest change in the institutional behaviour. Premiere Koizumi drastically changed the government and policy structure, by centralizing the power into Kantei or Prime Minister office, Koizumi get rid of the force that will intervene in his administration and policy-making process, decreasing the influences from his own party politicians who represent the interest from the interest group such as the Agricultural sector, so those politicians are less involved in the administration and policy-making in order to protect the interest for the group that supports them. The government since Koizumi's years change the behaviour from being the middleman who will follow the other actors like the bureaucrats or ruling party politicians to the only one that leads policy making and decisions. For example, Koizumi established "Council of Related Ministries and Agencies related on FTAs" (FTA Kankei Shocho Kaigi) under his Kantei for pulled all government organs that related to FTA policy and negotiations to be under his control.² The causes that made Koizumi unenabled to centralize the power and bypass LDP Zoku is also the declining of Agricultural sector political power that resulted from the 1994 electoral reform, the most powerful Zoku such as Norin Zoku is not that powerful enough to obstruct Koizumi anymore.

However, the institutional changing is not happened only with the Japanese government, in this case, it can be seen that the other institution also changed the way they behave

¹ Ibid.

² 'Za Sankuchuari: Jimintô "Nôrin Zoku"' ['The Sanctuary: LDP "Agriculture and Forestry Tribe"'], Sentaku, Vol. 30, No. 2, February 2004, p. 58.

which is less resistance to the liberalisation, caused by the political changing, the electoral reform.

Anyway, whether what happened in politics, another thing that has to be a concern is the embracing of the new ideal. From Maekawa report and Koizumi legacy, the idea that moving around behind is obviously the Neo-Liberalism idea. Promoting deregulation, less government intervention, and advocating of trading without barrier are the part of Neo-Liberalism core idea. In term of Japan, it can be seen from both Maekawa report and years of Koizumi that the Japanese government began to step back and emphasizing the market mechanism in their economic. The Neo-Liberalism idea behind the Maekawa report is this report tried to propose deregulation, reducing of government spending, and more market mechanism. For Koizumi, what he promoted in his structural reform was based from Neo-Liberalism idea, Koizumi structural reform embrace the needed dimensions such as more market-oriented, small but efficient government, privatization, and trade liberalisation.¹ As can be seen when Koizumi succeed in privatizing Japan Postal service or the FTAs that many deals began the negotiations and concluded during his time in office, like mentioned before JSEPA and JMEPA conclude during Koizumi' years and followed by the opening talk with South East Asia countries.

Both Institutional behaviour changing and Neo-Liberalism idea in the Maekawa report and Koizumi legacy was inherited by Abe's administration. The core idealism behind Abenomics' 3 arrows, especially structural reform emphasizing more on deregulation, less intervention, market-oriented economy and trade liberalisation. But due to the reforming will clash with the other like politicians and interest groups in term of conflict of interest, the centralizing of government power, especially to Kantei which Koizumi already paved the way, is one of the main keys. Neo-Liberalism alone is not enough, it needed the tool that can make it happen, and Koizumi's Kantei – Direct is that tool. Same as Koizumi, Abe's administration can less influence from the “Iron Triangle”.

In summary, what this study can find from exploring through the history of Japan Free Trade policy and political changing gave that the political maneuvering behind Japan trade

¹ Mulgan, A. (2013). Japan's failed revolution: Koizumi and the politics of economic reform. ANU Press. P.3

policy is that the declining of Agricultural sector political power who is the main liberalisation obstacle leads to the shifting of Japan Trade Policy from protected and avoiding the bilateral negotiation and joining economic to be leaner on free trade. The 1994 electoral reform is the most important event, causing the declining of Agricultural sector power and resulted in supporting Japanese government, specifically, Koizumi's government, to be more powerful and can prevent the interfering from the Agricultural sector. Also, the political institution such as government themselves changed the behaviour from leading Japanese economic with the developmental state to be more Neo-Liberalism mind. Japan began the structural reform, seeking for more market mechanism, deregulation, and less state intervention in order to let market mechanism adjust everything, it is very different from what Japanese government always did, guided economic in order to steer Japan into the direction that already planned. The Japan FTAs are the fruit of political changing, Institutional behaviour changing, and the embracing of Neo-Liberalism combine.

Bibliography

- Bazzell, T. (1998). Accessing Japanese Government Documents - Policymaking Process and Document.
- Chalmers A. Johnson (1982). MITI and the Japanese Miracle. Stanford University Press. P.199
- Chang, Ha-Joon. 1999. "The Economic Theory of the Developmental State." in Meredith Woo-
- Cumings (ed.), The Developmental State. Ithaca, NY: Cornell University Press. p. 182-199
- Colignon, R., & Usui, C. (2001). THE RESILIENCE OF JAPAN'S IRON TRIANGLE. Asian Survey
- Fukunari, & Mitsuya. (2008). Japanese FTA/EPA Strategies and Agricultural Protection.
- Goldstein, Natalie (2011). Globalization and Free Trade. Infobase Publishing. p. 30.
- Inoguchi, T. (Ed.). (2016). Japanese politics today: from karaoke to kabuki democracy. Springer.
- Ishikida, Miki (2005). Toward Peace: War Responsibility, Post-war Compensation, and Peace Movements and Education in Japan. Universe, Inc. (July 13, 2005). p. 30 (figures of Japanese Ministry of Health and Welfare)
- Jerzewska, A. S. (2012). The Role of Preferences in Japan's FTA Policy Formation in Asia on a Bilateral, Minilateral, and Region-wide Level: Does Japan Need a Region-wide Agreement? (PhD), The University of Leeds
- Krugman, Paul (2009). The Return of Depression Economics and the Crisis of 2008. W.W. Norton Company Limited.
- Kunio Okina, Masaaki Shirakawa, and Shigenori Shiratsuka (February 2001): The Asset Price Bubble and Monetary Policy: Japan's Experience in the Late 1980s and the Lessons
- Lipsky, P. Y., & Scheiner, E. (2012). Japan under the DPJ: The paradox of political change without policy change. Journal of East Asian Studies, 12(3), 311-322.
- Maddison, Angus. 2003. The World Economy: Historical Statistics. OECD Publishing, Paris.
- Maekawa, Haruo; Special Committee on Economic Restructuring. (1987). Maekawa Report (The Report of the Advisory Group on Economic Restructuring).
- March, J. G., & Olsen, J. P. (1989). Rediscovering institutions: The organizational basis of politics. New York: The Free Press.
- Mcbride, J., & Xu, B. (n.d.). Abenomics and the Japanese Economy. Retrieved January 25, 2018, from <https://www.cfr.org/backgrounder/abenomics-and-japanese-economy>

- MOFA. (2017). Free Trade Agreement (FTA) and Economic Partnership Agreement (EPA). Retrieved from <http://www.mofa.go.jp/policy/economy/fta/index.html>
- MOFA: Japan's FTA Strategy (Summary). (2017). Mofa.go.jp. Retrieved 10 May 2017, from <http://www.mofa.go.jp/policy/economy/fta/strategy0210.html>
- Mulgan, A. (2011). Agricultural Politics and the Democratic Party of Japan. Japan Studies Online
- Mulgan, A. (2013). Japan's failed revolution: Koizumi and the politics of economic reform. ANU Press. P.3
- Mulgan, A. (2016). Much ado about something? The Abe government's reform of Japan's agricultural cooperatives (JA). *Japanese Studies*, 36(1), 83-103.
- Mulgan, A. (2000). Organisational politics The Politics of Agriculture in Japan. London: Routledge.
- Mulgan, A. (2013). Party-bureaucratic government. In *Japan's Failed Revolution: Koizumi and the Politics of Economic Reform* (pp. 129-176). ANU Press.
- Mulgan, A. (2013). *The politics of agriculture in Japan*. Routledge.
- Mulgan, A. (2005). Where Tradition Meets Change: Japan's Agricultural Politics in Transition. *The Journal of Japanese Studies*, 31(2), 261-298.
- Muramatsu, M., & Krauss, E. (1984). Bureaucrats and Politicians in Policymaking: The Case of Japan. *The American Political Science Review*, 78(1)
- Ogita, T. (2002). An Approach Towards Japan's Fta Policy. APEC Study Center, Institute of Developing Economies, JETRO.
- Ohno, K. (2006). The Economics development of Japan: The path travelled by Japan as a Developing Country. GRIPS Development Forum.
- Reed, S. R., & Thies, M. F. (2001). The causes of electoral reform in Japan. Mixed-member electoral systems: the best of both worlds, 152-172.
- Sakamoto, T. (1999). Explaining Electoral Reform: Japan versus Italy and New Zealand. *Party Politics*, 5(4), 419-438.
- Sasada, H. (2013). The Impact of Rural Votes in Foreign Policies: The FTA Policies under the DPJ Government in Japan. *Asian Journal of Political Science*, 21(3), 224-248.
- Springer, Simon; Birch, Kean; MacLeavy, Julie, eds. (2016). *The Handbook of Neoliberalism*. Routledge. p. 2
- Takeuchi, H. (2016). *The New Trend in Japanese Domestic Politics and Its Implications*

- Taylor C. Boas, Jordan Gans-Morse (June 2009). "Neoliberalism: From New Liberal Philosophy to Anti-Liberal Slogan". *Studies in Comparative International Development*. 44 (2): 137–161.
- Tokuoka, K. (2010). *Rebalancing in Japan: The Role of Private Consumption* (No. 10-293). International Monetary Fund. P.6-10
- Uchiyama, Y. (2010). *Koizumi and Japanese politics: Reform strategies and leadership style*. Routledge
- Urata, S. (2007). Japan's FTA Strategy and Free Trade Area of Asia Pacific (FTAAP). *An APEC Trade Agenda*, 99 - 126.
- Urata, S. (2014). Japan's Trade Policy with Asia. *Public Policy Review*, 10(1), 1-31.
- Yoshimatsu, H. (1997). BUSINESS-GOVERNMENT RELATIONS IN JAPAN: THE INFLUENCE OF BUSINESS ON POLICY-MAKING THROUGH TWO ROUTES. *Asian Perspective*, 21(2), 119-146
- Yoshimatsu, H. (2005). Japan's Keidanren and Free Trade Agreements: Societal Interests and Trade Policy. *Asian Survey*, 45(2), 258 - 278.
- ‘Za Sankuchuari: Jimintô “Nôrin Zoku”’ [‘The Sanctuary: LDP “Agriculture and Forestry Tribe”’], *Sentaku*, Vol. 30, No. 2, February 2004, p. 58.

The Perception of Brunei’s Micro and Small Food Entrepreneurs on the Utilization of Online Market through Social Media Platform

Nurul Izzati Haji Mat Sani

izzasn7@gmail.com

Abstract

This research seeks to study the perception of Micro and Small-sized businesses on online market with social media as their exposure platform. It also aims to provide suggestions for the enhancement of online market through social media. Due to the sole and vigorous focus on oil and gas development, Brunei is facing several drawbacks for the development growth on other sectors. The existence of small market and constant high rate of unemployment are producing unhealthy efforts on instigating Brunei’s diversification plan. In this case, Halal industry, entrepreneurship and technology or specifically speaking, telecommunication industry are confronting different sets of problems. In fact, the problems are correlated with each other through online market growth. In spite of that, in 2017, Brunei holds the first position of high penetration of Internet in Southeast Asia region. Hence, to identify the correlated problems, the research was conducted qualitatively with semi-structured interviews. It is also to better understand the mindset and actions made by the Micro and Small Entrepreneurs (MSEs). Thus, about 20 food entrepreneurs and one semi-government agency, Darussalam Enterprise were interviewed. As a result, social media is indeed widely accepted by both consumers and entrepreneurs. But the ability to fully utilize such advanced privileges for the entrepreneurs is hindered by the lack of skills and infrastructures in Brunei. With the culture of Dutch Disease still lingering around the Government and the citizen’s mind, having a highly educated community is not enough for Brunei. Instead, resilient actions are highly needed alongside the wide-ranging of knowledge that the Bruneians have.

5. Introduction

The repetition of dutch disease is embedded under the curse of oil and gas development in Brunei (Basir, 2017). It has resulted in a slow growth of other sectors which have constructed a negative cultural mentality to the Bruneians as they indulge in immense benefits through government’s dependency. As the rate of unemployment continue to increase, Sultan Haji Hassanal Bolkiah has strictly encouraged his citizens to pursue entrepreneurship to solidify the private sectors and to remove the domination of public jobs among the locals (Othman, 2017). However, the slow growth of the development for

other sectors indicate the strategies pursued by the entrepreneurs are not as substantial enough to create a fast, lasting impact. Even so, the positive capacity of micro, small and medium enterprises is awarding hopes to any country's economic, innovative and technological advancement (Al-Mahrouq, 2010).

Thus, the research is highlighting the market contexts between offline but largely on online market to put forward the suggestion of online market enhancement for the entrepreneurs. Furthermore, since the cultural mentality in Brunei is highly associated with the dependency towards the government, hence, it is intriguing to assess the perceived decisions and challenges of the entrepreneurs on the usage of social media as their platform of online marketing and selling. Not to mention, the correlated dilemma through the context of external support from the government from telecommunication sector and Halal food industry is hindering the online entrepreneurs to move forward with social media.

1.1 Problem Statement

About 65% of small and medium enterprises of restaurant and catering sectors in Brunei have pursued the convenience of Information Technology (Chen & Hamdan, 2014). However, the specific research on online market through social media by micro and small entrepreneurs particularly with the idea of destructive cultural mentality in Brunei is scarcely being explored. The availability of previous literatures are mostly focusing on the motivational factors on the usage of social media and the trend of social messaging application as well as the behaviours of young customers towards social media as an online shop. Furthermore, despite the introduction of 3G services in 2005 in Brunei (Oxford Business Group), the observation from entrepreneurs' social media profiles show that online market through social media started in 2010 for Facebook and 2012 for Instagram. Nonetheless, the selection of social media applications; Facebook (92%) and Instagram (87%) for this research are in accordance with the most utilized applications in Brunei (AITI, 2016). Thus, the theory of Technological Acceptance Model will assist the understanding of the perceived attitudes of online entrepreneurs towards the ease of use and usefulness of social media as they are embedded with the impacts from dutch disease in Brunei.

1.2 Research Objectives:

- i. To study the perceived decisions and challenges of Micro and Small Food entrepreneurs in using Social Media as an online market in Brunei.
- ii. To provide suggestions to the government and telecommunication companies on how to ease the utilization of online market through social media for micro and small entrepreneurs.

6. Literature Review

Social media (SM) originated from the establishment of Web 2.0 as it transitioned from the 1979's newsgroups system to the User-Generated Content (UGC) (Haeinlein & Kaplan, 2012). The socialization through UGC is more convenient with the integrated communication of SM as compared to traditional media (TM) due to the latter's one-way conversation method (Alassiri et.al, 2014). SM is considered to be more influential than TM but the former is not superior to the latter technique as the both medias act as the comparative advantage for the establishment of international online business (Ogidi & Utulu, 2016). The integration of SM and TM has enabled businesses to be more accessible. Nonetheless, as UGC is increasingly relevant and vital in this advanced digital era, business-owners may proceed to utilizing the digital media instead of the traditional. Even so, Wan (2000) argues that the success of utilizing digital media for the enhancement of a business depends on how the profile of a user is being constructed to create a far better competitive advantage as a marketing strategy.

The standard definition of micro, small and medium enterprises is comprised of six main entities such as employees, assets, industry, investment, turnover and capital (Kushnir et. al, 2010). However, different countries may have different official definitions for each of these enterprises. For instance, the Government of Brunei selected the number of employees to determine the difference. Micro enterprise will be comprised of one to four employees whereas the small from five to nineteen and medium enterprise, twenty to fifty employees (Government of Brunei, 2016).

According to the report made by Authority for Info-communication in Technology Industry (2016), about 75% of the population has gained access to the internet in Brunei. However, in reality and more specifically, the percentages of business activities and marketing

strategy are respectively only 25% and 17%. It is important to keep in mind that as the survey was not made for specific group of people, hence, it can be deduced that a lot more business owners did not take part in the survey. In addition to that, the indication of the acceptance of an online market in Brunei is that 43% has been using mobile phone and 39% for the computer for the purpose of online shopping.

7. Methodology

The author applies the qualitative concept of phenomenology as it paves the way of comprehending the participants with the disclosure of their living experiences towards the usage of social media and the perception towards the correlated issues of Halal industry and telecommunication companies for the online market growth. Phenomenology acts as an interpretative and observative tool for investigation as it relates with the empirical research which provides an efficient assessment through the first-person perspectives.

In this research, the focal point of primary data depends on the semi-structured questionnaires from twenty micro and small entrepreneurs due to the fact that the combined percentages of both enterprises in 2016 was at a high of 78.8% as compared to 17.7% for the medium one (Government of Brunei Darussalam, 2016a). Twenty participants is a sufficient pool for the research as the author has to consider the time constraint of two-weeks of fieldwork as well as the business hours of the entrepreneurs. Additionally, one semi-government agency, Darussalam Enterprises is included in the interview as it acts as the facilitator of entrepreneurship in Brunei. Three different newspapers in Brunei such as Borneo Bulletin, New Brunei Daily and Pelita Brunei are utilized as the primary data to elaborate the situations in Brunei regarding the Halal industry, telecommunications sector and entrepreneurship whereas the secondary sources will be based on books from Thammasat University’s library, theses from Universiti Brunei Darussalam, journal articles and reports from several institutions, as well as statistic from Brunei’s government agency or department such as Authority for Info-Communications Technology Industry of Brunei Darussalam and Department of Statistic.

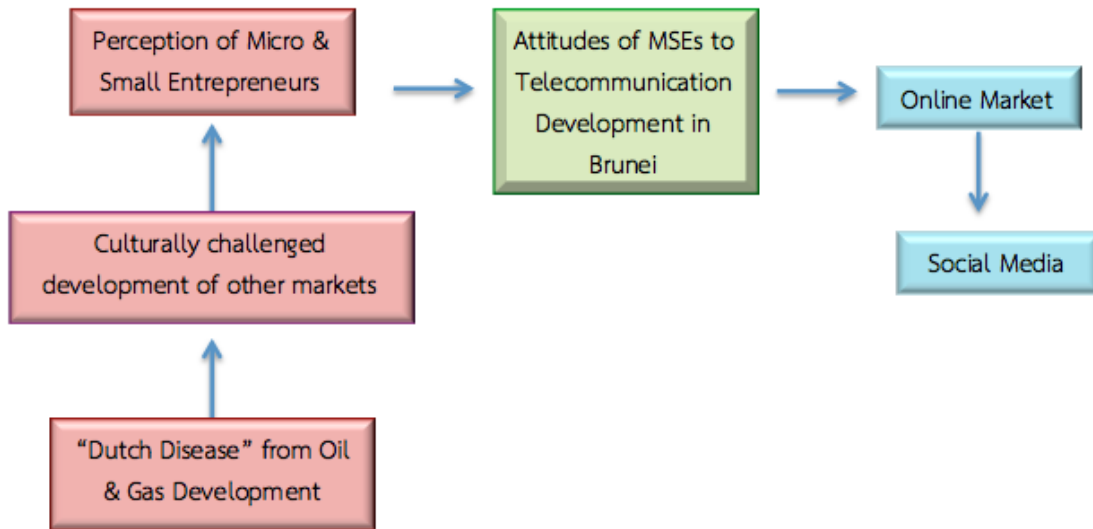
The selection of the location is in Brunei-Muara district as it is the Central Business District of Brunei. Hence, the food market in this district is quite superior as compared to the other three districts in Brunei; Tutong, Belait and Temburong. In addition, despite being the

smallest district, the amount of residents in Brunei-Muara is 292,705 people which is higher than the other three locations (Government of Brunei Darussalam, 2016b). Hence, the online users in Brunei-Muara is also equivalently high (AITI, 2016).

3.1 Conceptual Framework

As mentioned in the introduction, the framework below derives from the curse of the dutch disease of Brunei's non-renewable resources which have immensely challenged the development of other sectors in the country. The selected market in this research is related to the Halal food industry that is being expanded by micro and small entrepreneurs that utilize social media as an exposure podium as it is the most cost effective. As 3G services were introduced in Brunei in 2005, the internet penetration of Brunei is the highest among other Southeast Asian region with 95% (We Are Social, 2018). Hence, to better understand the perceived decisions of online market through social media, the author will include the perception of the entrepreneurs towards the telecommunication industry as it is the one that delivers and offers internet services. The author believes that the vigorous focus on the oil and gas sectors has invasively affect the services of telecommunication which may lead to the inability of entrepreneurs to completely utilize social media. Meanwhile, the Halal industry may cause adverse growth to the online food entrepreneurs due to the transparency issue in viewing the clear justification of Halal certificate from social media. This may cause the reduction of the consumer confidence as the Brunei Halal procedure is considered to be one of the most stringent (Zaili, 2016).

Table 1: Conceptual Framework



Source: Author's own compilation

8. Circumstances of Halal Industry, Social Media and Telecommunication Sector in Brunei:

The author divides the Halal industry in Brunei into three parts. Starting with the competitiveness of Brunei Halal with other Halal brands from several countries in which despite the stringent procedure, Brunei is quite slow in catching up to other Halal competitors in every Halal category. The second part is the procedure of Brunei Halal as it vitalizes the long process of getting the Halal certificates and permits. The inclusion of such contents is merely to prove that the delay of getting certificate may cause a limitation to the entrepreneurs to ensure a licensed claim that the food they sell online is Halal. Third, encompasses the issues of Brunei Halal in the context of weighing out its strengths and weaknesses. Alongside those two issues is the criticism surrounding the brand.

The collection of strengths involve the privileges of foreign direct investment as foreigners are permitted to 100% own companies in Brunei, the establishment of Darussalam Enterprise to mediate the issues that arise between the entrepreneurs and the government, extended route for national carrier which can ease the export of Brunei Halal brand to long-distant countries such as Japan and Korea. On the contrary, the tedious process of importing Halal foods to suit customers' preferences can prove be a difficult guessing game, provided that the prices of the local products are more expensive than the foreign brand

(Oh et. Al, 2018). This is further fueled by the non-existent cooperation between citizens and the government. Such issue may occur due to the productivity level of both parties. Since gaining independence in 1984, the government neglected to encourage the citizens to pursue and diversify its private sectors. Due to such behaviour, citizens are used to the selection of high salary from the public sectors for wealth security (Razak, 2012). As a result, it led to 6.9% of unemployment rate which has forced Sultan Haji Hassanal Bolkiah to highlight the significance of dividing the citizens' productivity into public and private spheres to mediate the unemployment issue. This career issue has left Brunei Wafirah Holdings to largely enhance the Halal brand with the assistance of Ghanim International Corporation. The author also includes the criticism related to Syariah law which made it compulsory for entrepreneurs to hire a supervisor who could comprehend the procedure of the law. However, this procedure is argued to create a problem for entrepreneurs as hiring a supervisor costs money.

As for social media, it is categorized into three main points of accessibility such as the ease of use, the reasons of utilizing from general perspectives and the adaptation by both customers and entrepreneurs from previous literatures. For the first two sections, statistics from the years 2010, 2013 and 2016 are applied and they concentrate on the factor of ease of access which further comprises of internet penetration, prices of internet, mobile or internet subscriptions.

The circumstances of telecommunication sector in Brunei include the initial efforts of technology through the knowledge of science and technology as it aims to produce productive, innovative, creative and competent society in Brunei (Sulaiman & 1996). Through the Global Innovation Index, Brunei was positioned at the rank of 53rd in 2012 but dropped to 88th place in 2013. The author also mentions the efforts from Universiti Teknologi Brunei (UTB) in which the students are still not yet available to be the experts in software programmers and developers. This resulted in Telekom Brunei to take charge in providing the training to its staff while waiting for the graduates from UTB. Another two sections of this sector mentions the efforts of telecommunication and the issues of the sector. The efforts include the establishment of National Information Technology Council in 2000 and the enforcement of AITI Order in 2001 with the creation of Authority for Info-Communication Technology Industry (AITI). Meanwhile, the issues of telecommunication

sector include the three companies in Brunei; Telekom Brunei Berhad, which was replaced by TelBru, DataStream Technology (DST) and Bmobile, which was replaced by Progresif Cellular.

9. Analysis of Findings

Easy is the term that is constantly being used in utilizing the social media, but according to the theory of Technological Acceptance Model (TAM) (see Table II) that is used in this research, the perceived ease of use for the utilization of Facebook and Instagram as an online market is not as easy as it seems. The idea of easy comes from the idea of perceived playfulness (see Table III) in which the entrepreneurs spontaneously or comprehend the functions of social media without a lesson. However, the absence of awareness on the existence of social media analytical tool has led to the incapacity for entrepreneurs to comprehend different effectiveness results of offline and online word-of-mouth marketing. The reasons for such unawareness include age and family in which it is part of the subjective norms in the perceived usefulness. The concept of self-established business and family business means the management of social media is depending on the young and old entrepreneurs. The older members in a family business may influence the selection of the social media through the idea of the social media followers which consist of older customers or friends. Additionally, the Same goes to the self-established business owners that are aged 35 years old and above as they prefer the convenience of Facebook over Instagram. On the other hand, fifteen entrepreneurs that are aged between 23 to 31 years old conceptualize Instagram as more useful and easy than Facebook. The role player for such choice is the function of image from Instagram which is part of the perceived usefulness of TAM. One of the entrepreneurs believe that to view the future development of a country, one has to look at its young generation. Hence, the young entrepreneurs should align themselves with the existence of advanced knowledge of digital system. This includes the vast intensive comprehension of social media. In accordance to the objective of usability in perceived ease-of-use context, the main goals of utilizing social media are merely to increase the exposure of the business and to increase sale for the business. However, the latter goal may have a slight delay of success with the expected profitability due to the less attraction from image demonstration skills as the entrepreneurs are lacking of social media techniques.

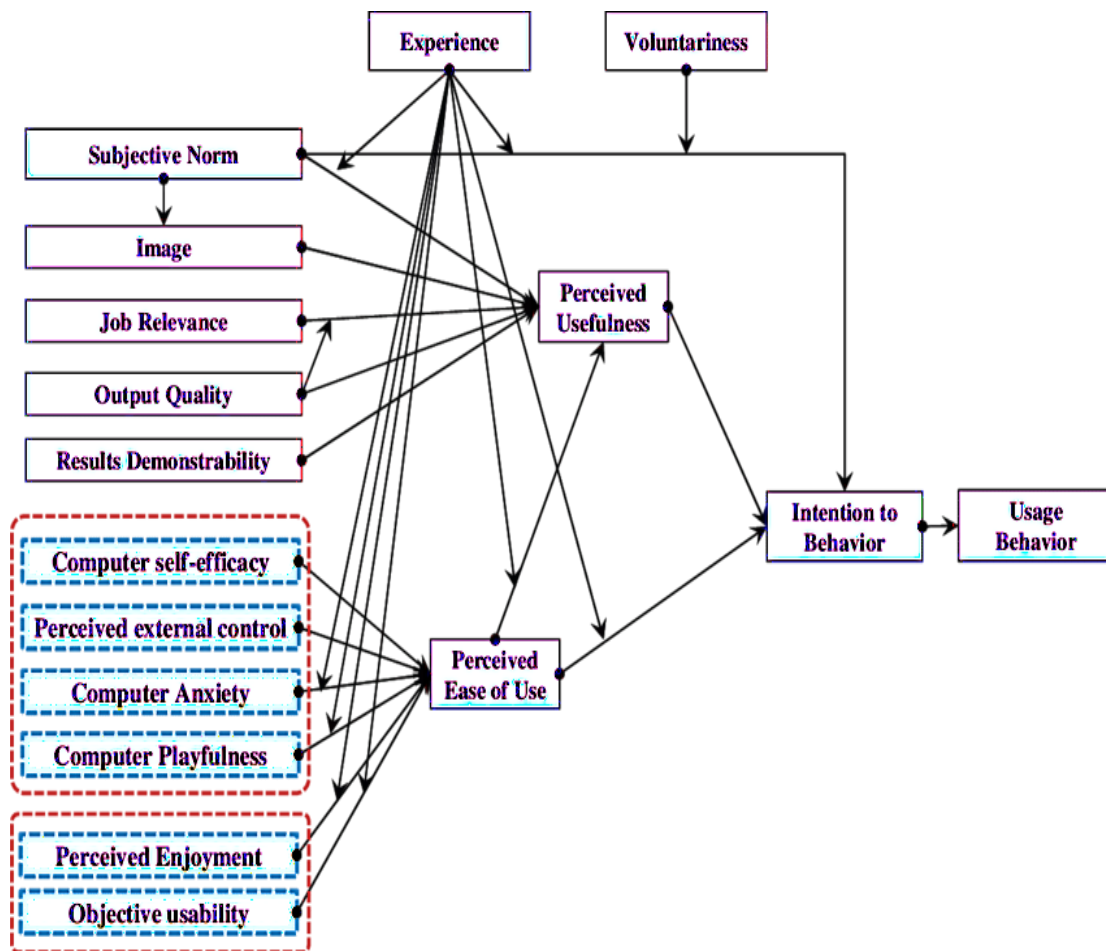
In addition, the perceived ease of use plays a major role for comprehending the entrepreneurs' thought process and the disadvantages that they have to face. For instance, the external support for entrepreneurs become a hindrance for them to upgrade their strategies due to the lack of skills in online marketing strategies such as the unawareness of the social media analytical tools. Since the people in Brunei have been relying on the government, hence some of the entrepreneurs may mistakenly disregard the power of self-help, instead they wait for the business assistances from the government. Despite the general consensus of spoon-fed entrepreneurs, some sought marketing courses in Malaysia as they deemed the assistance from Brunei as being inefficient in comparison to other countries.

Marketing classes in Brunei are still considered to be fundamental but are time-consuming for those who have acquired the knowledge of business management. Furthermore, the semi-government agency, Darussalam Enterprise, who acts as the facilitator for micro, small and medium enterprises in Brunei is confronting an issue of teaching management. The agency used to provide social media marketing classes in the past but due to the insufficient facilitators who are knowledgeable in advanced business, the classes have to be stopped. The facilitators themselves come from a department under DARE, such as Livewire, where they conduct free classes. Moreover, DARE mentions that most of the entrepreneurs in Brunei do not acquire the basic knowledge on the foundation of business. Thus, due to such problem, some entrepreneurs will have to seek out assistance from abroad on marketing classes as it is more efficient and intensively given by experts. Additionally, it is mentioned that social media marketing is highly beneficial due to the perception of ease and cost-wise as the marketing through traditional platform such as newspaper is expensive. For instance, coloured advertising can cost up to US\$3000 per advert.

For perceived enjoyment, one cannot simply enjoy the usage of the technology if there is a computer anxiety (see Table IV). In this case, the privacy of the social media acts as the hesitation factor for entrepreneurs to make their online business a success. Some young entrepreneurs highly value their business and personal privacy. The privacy is merely due to the perception of avoiding competition from other food entrepreneurs that sell the same kind of food. Most entrepreneurs treasure their food design and prefer to be the only

entrepreneur that sells such food but it is quite inconceivable to avoid such problem as to enhance the business performance, one will highly require the strategy of competitive advantage to be proactive, innovative and creative. This again leads to the notion that of Brunei is not yet open to the competition of economic activities which it is a factor that is needed in entrepreneurship for the future upgrades of their brand products.

Table II: Theory of Technological Acceptance Model 3



Source: Venkatesh & Bala (2008); Lai (2017)

Definitions of each variable:

Perceived Usefulness

1. Subjective Norm: The degree of how one perceives other people to prioritize and consider the usage of the system.
2. Image: The perception on the use of innovative system as a booster for their social system.

3. Job Relevance: The belief that the target system applies to one’s job.
4. Output Quality: The belief that the system will perform the person’s job tasks.
5. Results Demonstrability: The belief that the results of using it are tangible, observable & communicable.

Perceived Ease-of-Use:

1. Computer self-efficacy: The (belief) ability to perform the specific task using the technology.
2. Perceived external control: Believing the existence of support systems - organizational & technical resource.
3. Computer Anxiety: Individual’s apprehension or fear (in this research regarding security and privacy).
4. Computer Playfulness: The tendency of an individual to react spontaneously.
5. Perceived Enjoyment: It is still entertaining to utilize the technology despite results from any kind of performances.
6. Objective Usability: The satisfaction of completing goals/tasks due to the effective usage of the system.

Apart from the problems of social media, the entrepreneurs are also facing issues from the procedure of Halal certificates in Brunei as well as the prices of the Internet. The former deals with consumer confidence of Halal certificate in which the entrepreneurs are facing the delay of obtaining the certificate as it exceeds the expected 45 days of procedure. Some of the entrepreneurs in this research have to wait for almost a year. In addition to that is the inspection of kitchen or places used by the online food entrepreneurs. The entrepreneurs claim that the difficulty of such rules is the fact that government officials from Ministry of Religious Affairs (MoRA) and Ministry of Health (MoH) have different opinions on the approval of hygiene and Halal.

Whilst prices of the Internet is part of the external control as the telecommunication companies are offering high prices of Internet as compared to other countries in Southeast Asia such as Singapore. One of Singapore’s telecommunication companies, Singtel offers a fibre broadband plan with 1Gbps from the price of up to US\$37. In comparison, the highest data that Telkom Brunei can offer is 300 Mbps, which costs US\$726. This leads to immense

difficulty for online entrepreneurs in Brunei who have complained that using Instagram is rather expensive due to the loading of images and videos as compared to Facebook. Moreover, the entrepreneurs include that the Internet in Brunei can be frustrating as it is quite taxing to load.

Table III: Relations of Perceived Decisions with Perceived Usefulness and Perceived Ease-of-Use

Factors of Perceived Decisions	Variables of Perceived Usefulness	Variables of Perceived Ease-of-Use
Age: Family, Business & Entrepreneurs	Subjective norms & Image	Computer Playfulness
Online WOMM	Image, Job Relevance & Output Quality <i>(In accordance with business goals of increase exposure & sales)</i>	Perceived Enjoyment & Objective Usability
Education + Cost Reduction (Standard of Living)	Image, Job Relevance, Output Quality, Results	
Education (Abroad)	Demonstrability	Perceived External Control, Perceived Enjoyment & Objective Usability

Source: Author's own analysis

Table IV: Relations of Perceived Challenges with Perceived Ease-of Use

Factors of Perceived Challenges	Variables of Perceived Ease-of-Use
<ul style="list-style-type: none"> - Lengthy procedures of Halal certificate and permits. - Prices of Internet – limit the time to use SM. - Insufficient online or social media marketing classes – low quality. 	Perceived External Control & Computer self-efficacy
<p>Privacy concerns – a challenge to competitive advantage for further proactive, creative & innovative ideas.</p>	Computer Anxiety

Source: Author’s own analysis

10. Conclusion

The attitudes of the entrepreneurs are mainly being constructed by both PU and PEOU with age, cost reduction, perception of easy and education as the push factors of the entrepreneurs on using SM as an online market. Nonetheless, social media is useful but it is not quite easy to utilize in accordance with the comprehension of online business management. Looking at the circumstances in Brunei, the eventual result of online entrepreneurship through social media is that the micro and small entrepreneurs are not able to fully optimize the effortless function of social media applications. The perceived challenges of Brunei’s food micro and small entrepreneurs derive mainly from the perceived ease-of-use variables. The clear issues can be seen through the external control as the support from Darussalam Enterprise is still inefficient, inflexible and not resilient as a constant driver to ease the entrepreneurs’ conditions. The lack of intensive social media knowledge from the online food entrepreneurs and the lack of availability of social media marketing classes from Darussalam Enterprise are simply ceasing the growth of entrepreneurs who rely mostly on social media for exposure as other marketing platform such as newspaper is considered to be expensive. The age of the entrepreneurs is also vital for the growth of proactive and creative as well as innovative mindsets in Brunei. Furthermore, it becomes more problematic if the entrepreneurs themselves do not apply the concept of self-help for their business. Brunei has already raised the right community

which is educated but the culture of waiting for the government to do something may not be suitable for the development of entrepreneurship in the country.

The suggestions are divided into three main ideas which relate with training programs alongside an enhancement of research on Halal industry, SM and telecommunication sector. Also, division of Internet costs for micro and small entrepreneurs as well as the enhancement of cross-border delivery services.

The training programs are dedicated to the early exposure of online entrepreneurship studies under Brunei's educational system of National Education System for the 21st Century (SPN 21) for the contribution of developing the goals of Vision 2035. Such exposure is hope to establish the mindset of self help from the culture of spoon feed by the government in Brunei for future entrepreneurs. The awareness over Vision 2035 is currently being studied by the students in high school, but specific subjects of entrepreneurship such as online or SM marketing should be included. This is merely to develop the mindsets of proactive and innovative through the critical thinking skills which derive from the early exposure of online entrepreneurship. Since standard of living in Brunei is considered to be high by the Bruneians or the entrepreneurs, hence, the free education system can cover the expenses of opting for abroad marketing program. Other than that is the establishment of SM marketing class by experts from Universiti Brunei Darussalam in which DARE recently has made an agreement under Memorandum of Understanding (MoU) with the university to assist the entrepreneurs in terms of business education. As for the enhancement of the statistical analysis research, since the limitation of the research includes the insufficient data on statistic of MSMEs on using SM under Halal industry, thus it is wise to establish further intensive and extensive research by several stakeholders in Brunei such as Department of Economic Planning and Development as well as Authority for Information Technology Industry.

The ideas of Internet costs is basically divided into two views. First is the Internet package deals of hardware system may offers separate business prices for micro and small entrepreneurs as these kind of enterprises tend to face financial instability. Whilst the software system or mobile broadband plan can consider the separate prices for SM applications such as Facebook and Instagram.

As for the enhancement of cross-border delivery services, since it focuses on the market of Borneo Island, hence the trade and services agreement, Memorandum of Agreement (MoU) should be made with Malaysia and Indonesia as it concerns their territories of Sabah and Sarawak and Kalimantan, respectively. The entrepreneurs claim that customers from abroad tend to go to Brunei to purchase the food, hence it is a wise collaboration as the market from the Island is still considered to be new. The delivery can be done with lorry as transportation as the route from Brunei to these three areas are connected by road.

Bibliography

- AITI. (2013). *Brunei Darussalam: Household ICT Survey Report 2013*.
- AITI,. (2016). *Brunei Darussalam Household ICT Survey Report 2016*.
- Al-Mahrouq, M. (2010). Success Factors of Small and Medium-Sized Enterprises (SMEs): The Case of Jordan. *Anadolu University Journal of Social Sciences*, 10(1), 1-16.
- Basir, K. H. (2017). Economic Issues in Brunei Prior to 2014 Oil Crisis. *Jurnal Sultan Alauddin Sulaiman Shah*, 4(1), 27-33.
- Chen, C. K., & Hamdan, M. (2014). An Exploratory Study of Information Technology Adoption by SMEs in Brunei Darussalam. *World Journal of Social Sciences*, 4(2), 186-196.
- Government of Brunei Darussalam, (2016a). Preliminary Report: Economic Census of Enterprise. Department of Statistic, Department of Economic Planning and Development. Brunei Darussalam.
- Government of Brunei Darussalam. (2016a). *Brunei Darussalam Key Indicators 2016*. Department of Economic Planning and Development. Retrieved from BruneiDarussalam:
<http://www.depd.gov.bn/DEPD%20Documents%20Library/DOS/BDKI/BDKI%202016.pdf>
- Haenlein, M., & Kaplan, A. M. (2012). Social Media: back to the roots and back to the future. *Journal of Systems and Information Technology*, 14(2), 101-104. doi:10.1108/13287261211232126
- Kushnir, K., Mirmulstein, M. L., & Ramalho, R. (2010). *Micro, Small, and Medium Enterprises Around the World: How Many Are There, and What Affects the Count?*
- Lai, P. (2017). The Literature Review of Technology Adoption Models and Theories for The Novelty Technology. *Journal of Information Systems and Technology Management*, 14(1), 21-38.
- Ogidi, O., & Utulu, A. U. (2016). Is the new media superior to the traditional media for advertising. *Asian Journal of Economic Modelling*, 4(1), 57-69. doi:10.18488/journal/8/2016.4.1/8.1.57.69
- Oh, Y., Hamir, A. M. H. B. P., & Shah, M. A. S. B. M. (2018). The Viability of Halal Food industry For Brunei Economic Diversification: SWOT Analysis. *International Journal of Social Sciences*, 3(3), 1220-1233.

- Othman, A. (2017). Boosting FDI, SMEs key growth strategy: Sultan. *Borneo Bulletin*.
- Razak, L. A. (2012). Brunei Darussalam's Labour Market: Issues and Challenges. *CSPS Strategy and Policy Journal*, 3, 1-36.
- Wan, H. A. (2000). Opportunities to enhance a commercial website. *Information & Mangement*, 15-21. doi: 10.1016/S0378-7206(00)00048-3
- We Are Social. (2018). Southeast Asia digital, social and mobile 2018. Retrieved from <https://aseanup.com/southeast-asia-digital-social-mobile/>

Governance and Blockchain: How Blockchain Technology will Improve Corporate Governance in Thai Listed Companies

Paveenasuda Sriphaya

paveenasuda@gmail.com

Manit Satitsamitpong

manit@citv.tu.ac.th

Abstract

The most common issues in Asian countries corporate governance are the understanding of corporate governance and transparency in the corporate management process. Since the introduction of corporate governance in Thailand in 2001, Thai listed company corporate governance performance has gradually improved, but there are still rooms for improvement where new technology can support it. Blockchain technology and its principles have changed the view of old-style trust system by using information technology with decentralized networks, peer-to-peer transfer and validation, consensus protocol, and cryptographic proof to keep records of transactions along the process. While corporates adopt blockchain to add value to products and services, there is no use for corporate governance purpose. Securities Exchange Commission and Bank of Thailand show their interest in using blockchain. They aim to protect and improve the country's economic status as well as to ensure investors receive benefits, they deserved through Blockchain mechanism such as creating the governance system which shareholders, managers, and stakeholders can agree upon and improve the inclusion which reflects transparency of the business. This essay will show the implication of Blockchain technology and how it can potentially improve corporate governance performance in Thai listed companies using the Blockchain's and Corporate Governance's Principles mapping.

1. Introduction

Globally, advancement in technology has been happening at an accelerated pace, yielding disruptive technology emergence in Thailand and impacting business industries by offering services that increase the pace of the operational process to deliver products and services. At the same time, Thailand's 20-Year National Strategy (2017 – 2036) (The Office of National Economic and Social Development Board (NESDB), 2017) focuses on the development of innovation, research personnel and potential capability, which is aimed

to promote the country’s competitive edge and self-reliance through the utilization of science, technology and other forms of knowledge on a sustainable basis. Furthermore, the Thai government also shows that it is embracing and supporting innovations and new technology adoption at both the public and corporate level with the objective to develop the country.

When the historical economic crisis of Thailand’s was looked into, it was showing that the weakness in Thailand’s Corporate Governance (CG) can be a big issue. The examples include commercial banks reckless lending, manager’s risky investment, directors, managers, and large shareholders’ expropriation of company’s funds, shaded business deals and poor audits (Organisation for Economic Co-operation and Development (OECD), 1999). Since then, Thailand has been active in promoting and developing corporate governance as one of the components to achieve sustainability in the Thai economy.

By further assessing a more recent status of corporate governance performance especially in Thai Listed corporations, a survey assessment from the IOD 2016 Corporate Governance Report of Thai Listed Companies (CGR) (Thai Institute of Directors Association, 2017) was showing that medium to larger firms tend to have better corporate governance performance than do smaller firms. However, when scrutinized, there are implications that there is room for improvement, as shown in the gap levels in Table 1.1.

Table 1.1: The Corporate Governance Report 2016 Score and Gap (Percent)

Survey Category	Maximum	Minimum	Gap
(A) Rights of Shareholders	100	53	47
(B) Equitable Treatment of Shareholders	99	57	42
(C) Roles of Stakeholders	98	16	82
(D) Disclosure and Transparency	100	32	68
(E) Board Responsible	95	35	60
Overall Scores	97	45	52

Source: Thai Institute of Directors Association, 2017

This study will therefore focus on how disruptive technologies like Blockchain can help improve corporate governance practice by minimizing the gap and enhancing the effectiveness of the operational process that will impact the outcome from both a macro and micro level within corporate governance performance.

Blockchain is a sequentially distributed database of information shared in a computer network with secured cryptographic proof. It was proposed for the first time in 2008 by Satoshi Nakamoto as a method to validate the ownership of the virtual currency Bitcoin (Nakamoto, 2008). As Bitcoin and some other cryptocurrencies are now gaining popularity, blockchains are also recognized as an alternative to ownership ledgers based on the double-entry bookkeeping.

The value that Blockchain Technology creates is by decentralizing the creation, verification, validation, and secure-storage of economic transaction both within and between the organization (Hsieh, Vergne, & Wang, 2017). When compared with the classical proof-of-ownership method, the concept of Blockchain offers potential advantages in cost, speed, and data integrity which the scale of potential savings has motivated investments by venture capitalists and players in the financial services industry (Yermack, 2017).

When it comes to the ways organizations do their business, Blockchain will change and disrupt it due to its benefit of autonomy and secured transaction. This is through the concept of the distributed pre-defined contract which removes all middlemen works from all transactions and creates higher value from the Blockchain ecosystem. The traditional internal and external business processes such as the corporate governance process would require a significant effort from creating, verifying, and validating documents before releasing them to all shareholders, regulatory bodies, or certification bodies. The concept of the pre-defined contract from Blockchain Technology will turn all human effort into automatic data collection, validation and release the document at the time pre-defined in the contract using computer processing power.

For the concerns raised in regard to dispute settlements, this technology will lock-in the condition which both parties can never breach as the report will be sent precisely according

to the time defined in the first place. This concept will save time and cost from the standpoint of both business operations and legal processes, preventing error and fraud from its transparency values and minimize the risk of single point of failure in the blockchain-based or blockchain-implemented organization.

At a stage this early, not many companies listed in the Stock Exchange of Thailand (SET) have the potential to adopt Blockchain. It is still in doubt whether the 8 industry groups classified (effective in February 2015), how many of them will be able to adopt Blockchain. Moreover, it is yet to be concluded if the governing framework can be generalized at a country level.

Guidelines on how to use Blockchain Technology to improve the management of corporate governance also does not exist. In addition, there is no criteria for consideration with regards to the type of blockchain to choose from, especially in the context of Thailand. Therefore, this study will focus the analysis at a corporate organization level, which will benefit corporations as they seek to understand the technology in order to benefit from it especially as none of them have reached the point to propose the guidelines for Blockchain Technology adoption that can improve corporate governance performance.

Given that Blockchain technology adoption in Thailand is in its early stage, there is limited information on business governance with the use of it. This research will study how the automatic, decentralized or autonomous distribution system of blockchain technology can benefit Thai listed companies through examining the areas of corporate governance that need improvement, analyse how the technology can improve its gaps and provide an initial guideline on the adoption with use case examples within the Thai environment.

1.1 Problem Statement

- 1.1.1 How can Thai listed companies derive the benefit that Blockchain offers to improve corporate governance?
- 1.1.2 What will be the criteria for selecting appropriate Blockchain typology that is in align with the preferred corporate governance requirements?

1.2 Objectives of the Study

- 1.2.1 To identify the listed corporate governance factors which require improvement.
- 1.2.2 To analyze how Blockchain Technology can help Thai listed company to improve corporate governance.
- 1.2.3 To propose a guideline for Blockchain adoption for each area of corporate governance.

1.3 Scope and Limitations of the Study

1.3.1 Scope of the Study

The researcher started with an in-depth study from existing literature that can inform the current issues and gaps in corporate governance in Thai listed companies and also inform the principles and theories behind both corporate governance and blockchain technology. The contributions come from academic and business journals, conferences, books, articles, websites and other electronic media.

The next stage required is to gain additional data from industry experts to ascertain adoption acceptance and possible use case through qualitative interviews.

This study is based on the current legislative position in Thailand.

1.3.2 Limitations of the Study

Blockchain adoption especially for the practice of corporate governance is relatively new and guidelines do not exist within the Thai environment. The researcher will have to contextualize them by finding practical and local ways of addressing the point of concerns for corporate governance and the application of Blockchain Technology.

2. Literature Review

To support the formation of a possible solution to corporate governance in Thailand, an in-depth understanding in regard to following have been reviewed:

1. The concept and theories related to corporate governance
2. Blockchain technology, principles and typology

3. Corporate governance performance, risks and issues in Thai listed companies
4. Synthesis of the principles for both corporate governance and blockchain

2.1 Corporate Governance Concept and Theories

For Thai listed companies, the Stock Exchange of Thailand has adopted the definition of Corporate Governance defined by the Organisation for Economic Co-operation and Development (OECD) as “a managerial principle for a company to balance the interests of stakeholders, and enhance efficiency, transparency, and accountability of the company” (The Securities and Exchange Commission, Thailand, 2015). In order to understand the issue in corporate governance, it is necessary to visit literature related to corporate governance and its theories. There are three broad theories widely discussed to explain corporate governance, which consists of the following:

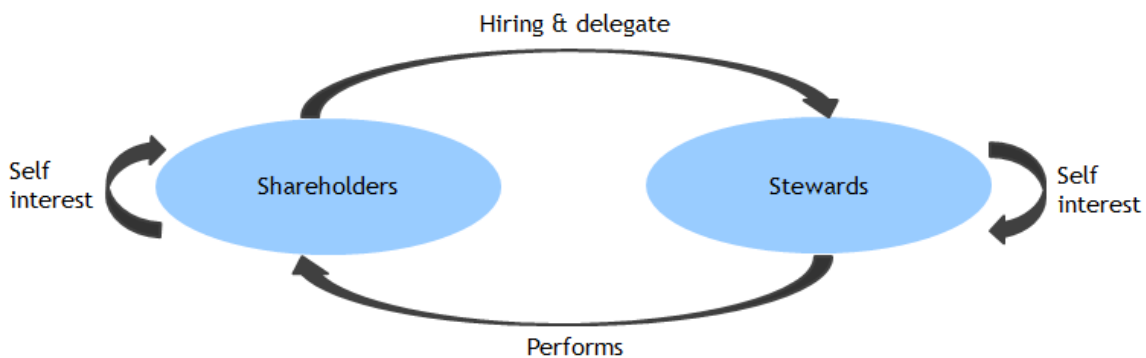
2.1.1 Agency Theory

The root of Agency theory is from the economic theory exposed in 1972 (Alchian & Demsetz, 1972) and further developed in 1976 (Jensen & Meckling, Theory of the Firm: Managerial Behavior, Agency Cost, and Ownership Structure., 1976). It is defined as “the relationship between the principals (owners or shareholders) and agents (company executives and managers).” The relationship between two parties begins when the principals (owner or shareholder) hire the agents to perform work.

The principals define the objectives of a company, select the management directly, and delegate the business-running work for the agents (executives and managers) to pursue those objectives by acting or perform decision-making on principals’ behalf. (Jensen & Meckling, Theory of the Firm: Managerial Behavior, Agency Cost, and Ownership Structure., 1976). As both the principals’ welfare and agents’ welfare is affected by agents’ decision-making, the issue in agency theory occurs when the principals assume that the agent or management would carry out their objective as expected, but in reality, it is not so. The imbalanced or asymmetries between the principals and agents caused by the opportunistic behavior of the agents resulting from self-interest also lead to the situation that the principals’ lack trust in agents.

In an attempt to minimize the asymmetries between principals and agents, the principals are forced to put some control mechanism such as control process, monitoring process, auditing process and supervise the agent from time to time. However, the control mechanism creates the agency cost which is the sum of monitoring cost, bonding cost, and residual loss (Jensen & Meckling, Theory of the Firm: Managerial Behavior, Agency Cost, and Ownership Structure., 1976).

Figure 2.1.1 The Agency Model



Source: Abdullah & Valentine, 2009

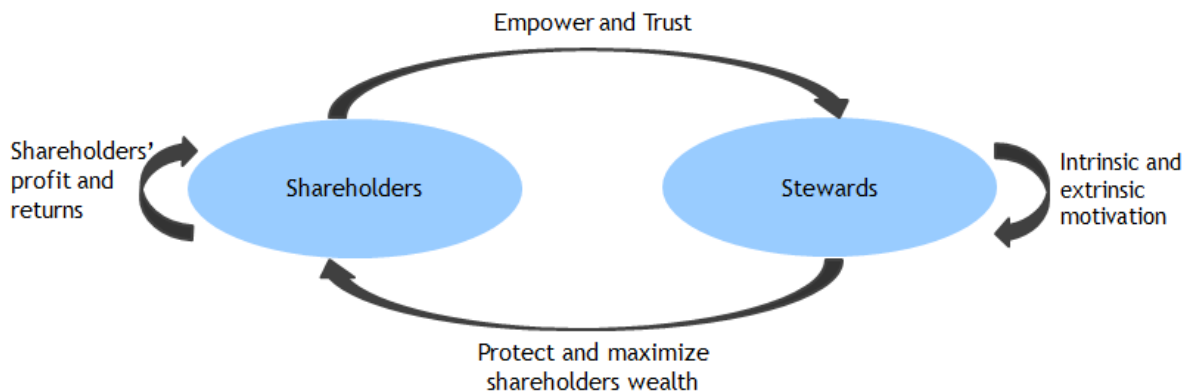
According to the agency theory, the objective of corporate governance is to design the contract that has an incentive mechanism that can optimize the allocation of ownership rights, design ownership structure, and define controls that can align interests among both parties. By comparing the many corporate governance literature, the agency theory is the most popular among all of them (Abdullah & Valentine, 2009) (Fernando, 2011) (Hsieh, Vergne, & Wang, 2017) (Kaal, 2017) (Yermack, 2017).

2.1.2 Stewardship Theory

The Stewardship theory roots are from the psychology and sociology theory which is defined as “a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward’s utility functions are maximized” (Davis, Schoorman, & Donaldson, 1997). In this perspective, the stewards are the company executives and managers working for shareholders and act in the shareholders’ interest. While the agency theory discussed the agents (executives or managers) by looking at managers as an economic being (Argyris, 1973), the stewardship theory has taken the

psychological view that the personal reputation serves as the primary mechanism to control behaviours.

Figure 2.1.2 The Stewardship Model



Source: Abdullah & Valentine, 2009

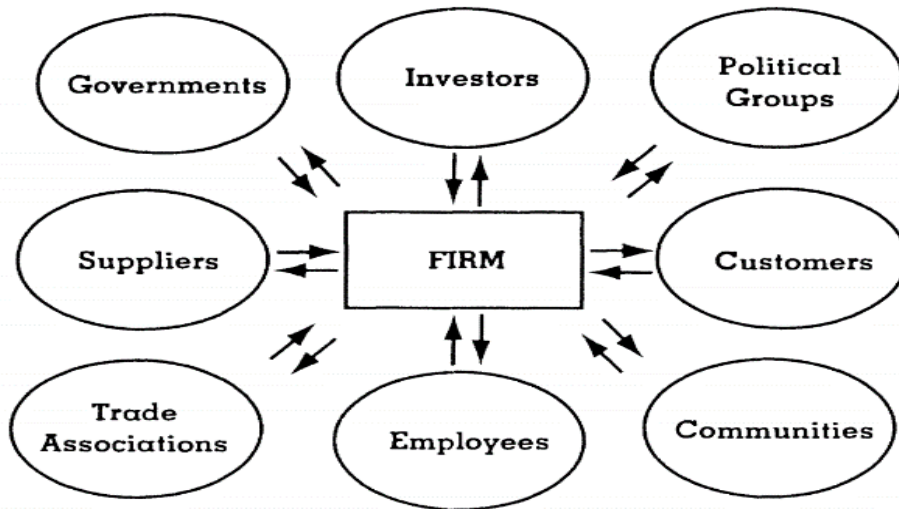
The stewardship theory focuses on responsibilities of the board of directors and management which is assumed to carry out in the interest of shareholders which board of directors responsible for the “oversight” work while management is responsible for the day-to-day business conduct. However, these stewardship mechanisms of governance can cause risks if these responsibilities are not carried out as expected and can create agency cost.

2.1.3 Stakeholder Theory

The Stakeholder theory has its history in organizational management discipline dated back in the 1930s. By synthesizing from many approaches that include economics, behavioural science, business ethics and the stakeholders’ concept (Fernando, 2011), this theory incorporated accountability to a broad range of stakeholders from all interest groups. The stakeholders stated in this theory can be defined as “any group or individual who can affect or is affected by the achievement of the organization objectives” (Abdullah & Valentine, 2009). As the sociological approach has been added to this theory, the stakeholders are not limited to the shareholder, manager or employee who is inside the organization anymore. This means the stakeholders are extended to groups of networks

which are important to the firm such as suppliers, business partners, customers, government, and the society (Harrison & Freeman, 1999) and requires management’s attention. On the other hand, Donaldson & Preston (1995) claimed that all groups are participating in a business to obtain benefits. Another view from Clarkson (1995) suggested that the corporation is a system of primary stakeholder groups and the organization needs to fulfil economic purposes, social purposes, and distribute wealth or value for the benefit of the stakeholders.

Figure 2.1.3 The Stakeholder Model



Source: Donaldson & Preston, 1995

Nonetheless, the nature of the relationship can affect the decision-making processes and create conflict when each stakeholder has a different set of interests. It is also criticized whether it is applicable practice for corporations or not because there is limited empirical evidence on a linkage between stakeholder concept and corporate performance (Fernando, 2011). Moreover, this theory appears to be varied contextually where each country has defined different practices especially when business ethics becomes requirement based on legal and regulatory requirements (Hansen, Bode, & Moosmayer, 2004) and this point is a concern in the case of technology adoption as well.

2.2 Corporate Governance Related Theory Characteristics

The following table captures details and nuances on the similarities and differences in characteristics across the three types of Corporate Governance theories reviewed:

Table 2.2 Characteristics of Major Theories in Corporate Governance (analysis includes adaptation from (Fernando, 2011) plus psycho-sociological view of stakeholder).

The Agency Theory	Stewardship Theory	Stakeholder Theory
2-party relationship	2-party relationship	Multi-party relationship
Shareholder act as Principals, Manager act as agent	Shareholder act as owner, Managers act as stewards	Stakeholder act as a resource. Managers working and serving stakeholders.
Individualistic, Lower order needs, Extrinsic needs, Self-serving	Collective, Pro-organizational, Intrinsic needs, Trustworthy	Collaborative, Ethics of fiduciary relationship, Stakeholders' benefit
Manager motivated by their own objectives	Managers are motivated by the principal's objective	Firm is a system, managers work to create wealth of stakeholders
Interest of the principals and manager are differed	Interests of principals and managers are aligned	Each stakeholder has his/her own interest
The role of management is to monitor and control	The role of management is to facilitate and empower	The role of management is to provide service by making decision and manage network relationship
Owner's attitude is to avoid risk	Owner's attitude is to take risk	Each stakeholder take risk related to them from managers' decision making

The Agency Theory	Stewardship Theory	Stakeholder Theory
Principal-Manager relationship is based on control	Principal-Manager relationship is based on trust	Stakeholder-Manager relationship is based on service ethics and moral
Risk orientation is done through a system of control	Risk orientation is done through trust	Risk orientation is done through trust
Time frame is short-term	Timeframe is long-term	Timeframe is long-term
The objective is cost control	The objective is improving performance	The objective is stakeholders' wealth and benefit
Issues concerning about agency cost	Issues concerning about lacking motivation	Issues concerning about transparent decision making and performance

2.3 Blockchain Technology, Principles and Typology

Blockchain is disruptive technology which changes the traditional trust protocol into trustless interaction by replacing it with digital information on a network system architecture and a set of algorithms. The information recorded in the database is available to anyone who would like to participate and verify, which this is the real breakthrough that can free us from any kind of centralized middlemen like banks or brokers.

One relatively good explanation on the concept of blockchain technology is defined by Lauslahti, Mattila, & Seppälä in 2017 as “a method in which parties unknown to each other can jointly maintain and edit the databases in an entirely decentralized manner, with no intermediary party exercising central control. One of the key features of blockchain consensus architectures is their ability to maintain a uniform view on the state of things and the order of events without any centralized body dictating them from above. The decentralized consensus mechanism of the blockchain network maintains its agreement of the content of the system, even if contradicting changes were simultaneously attempted” (Lauslahti, Mattila, & Seppälä, 2017).

2.3.1 The 7 Design Principles of Blockchain

One literature from the Blockchain Revolution book by Don Tapscott and Alex Tapscott provides a clear view of the design principles of blockchain, as captured in Table 2.3.1.

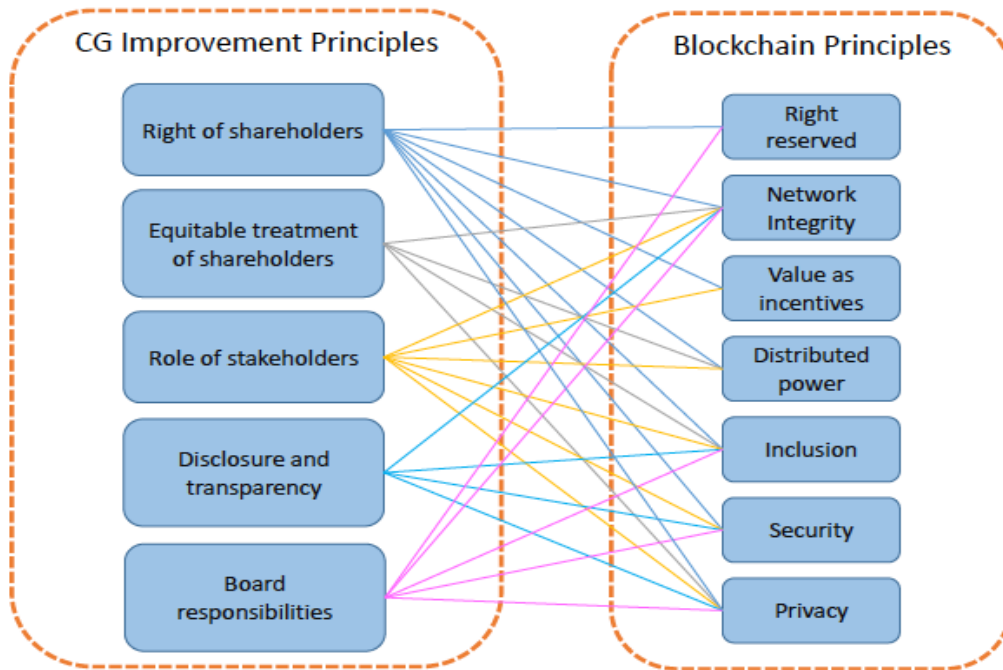
Table 2.3.1 The Summary of 7 Blockchain Design Principles
(Tapscott & Tapscott, 2016)

	Principle	Explanation of Principle
1	Network Integrity	Trust in intrinsic, not extrinsic. Integrity is encoded in every step of the process and distributed. Participants can exchange value directly with expectation that other party will act with integrity (The values of integrity are honesty, consideration, accountability, and transparency)
2	Distributed Power	The system distributes power across a peer-to-peer network with no single point of control. No single party can shut system down.
3	Value as Incentives	The system aligns the incentives of all stakeholders. Token of value is integral to this alignment and correlative of reputation. The programmed software will give the reward to those who work on it and belong to those who hold and use its token, so that they all take care of it.
4	Security	Safety measures are embedded in the network, no single point of failure, provide confidentiality, authenticity, and nonrepudiation to all activity. Anyone who wants to participate must use cryptography - opting out is not an option – and the consequences of reckless behavior are isolated to the person who behaves recklessly.
5	Privacy	People should control their own data. Period. People ought to have the right to decide what, when, how, and how much about their identities to share with anybody else. Respecting one’s right to privacy is not the same as actually respecting ones’ privacy. We need to do both by eliminating the need to know the true identities of those others in order to interact with them.

	Principle	Explanation of Principle
6	Right Reserved	Ownership rights are transparent and enforceable. Individual freedoms are recognized and respected. We hold this truth to be self-evident – that all of us are born with certain inalienable rights that should and can be protected.
7	Inclusion	The economy works best when it works for everyone. That means lowering the barriers to participation. It means creating platforms for distributed capitalism, not just redistributed capitalism.

According to these definitions of Blockchain principles, there are many characteristics which are similar and appear in corporate governance theories, see Figure 2.3.1. It is a goal to analyze these similarities, differences and how this technology can be the solution for improving corporate governance, and what is the limitation of blockchain that needs to be ascertained.

Figure 2.3.1 Similar Characteristics Between Blockchain Principles and Corporate Governance Theories



Source: Author’s interpretations

2.3.2 Blockchain Typology and Distributed Ledger Technologies

The type of Blockchain can be separated into two groups from two different perspectives. One is the degree of centralization, which defines the permission or access control structure, while the other is a distributed network architecture which all nodes participate to verify the block in order to reach a consensus.

2.3.2.1 Degree of Centralization (Access Control Group)

Blockchain by concept is a shared public chain. All members in this chain can read the information on the chain and can also append new blocks on the chain. This means everyone has full access over the chain (or so called unpermissioned chain) (Blockchains by Peter Kovary, Fangyi Zhou, Mark Adoul, 2017)). However, the degree of the chain network can vary. The chain could also be designed to have stricter access control. The strictest degree of access control is the one that only the owner of the chain could have full access, whereas others have no access at all. This is similar to a centralized control system or in the case of a central database storing confidential data.

Regardless, to design the degree of centralization or access control would require considering the scenarios or the actual use case. In some cases, the degree between a shared public chain and a private-chain can be applied. The different degree of access control could be implemented during setting up of the chain and it can be done through the public key cryptography. The examples of strict control access are health related information and other sensitive information of the company, shareholders and employees. These types of sensitive information should be accessed only by the owner of that information or anyone who has been granted access by the owner. In this case, only the trusted party could add data to the chain (so-called permissioned chain).

Figure 2.3.2.1 The Different ‘Degree of Centralization’ in Distributed Ledger Technology (The UK Government Chief Scientific Adviser, The Rt Hon Matt Hancock MP, and Ed Vaizey, 2016)

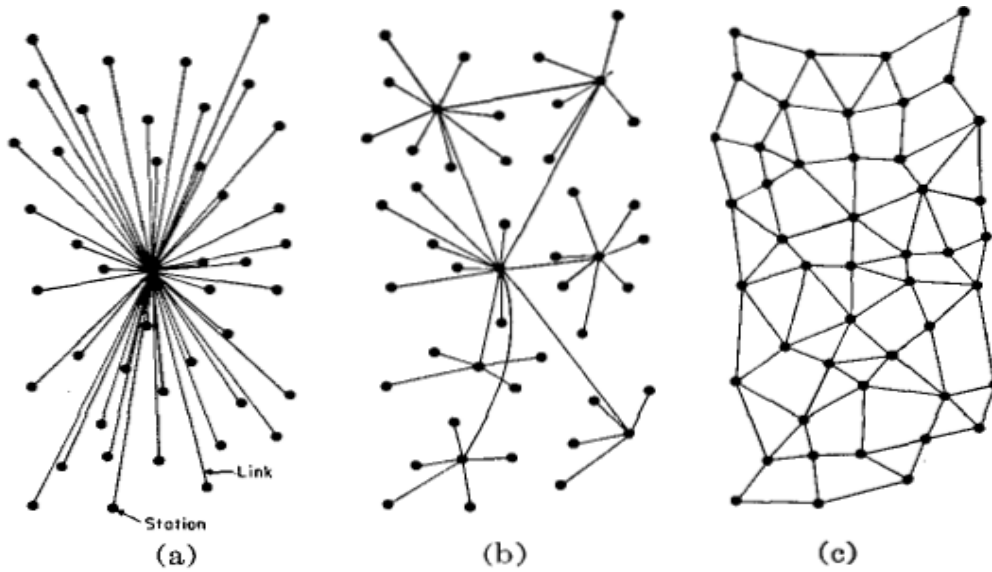


Source: Matt Hancock & Ed Vaizey, 2016

2.3.2.2 Network Communication Distribution

Blockchain is a shared public ledger on a network where each user who runs a full node on the computer could download a full copy of the whole blockchain which includes data of all transactions recorded on the blockchain. Each node can independently process any incoming transactions and propagate the transaction further. Each node can also contribute to the establishment of the consensus by mining in order to include transaction data in a block and then to find a proof-of-work for the block with no central node that processes and distributes the data. Every single node can independently run and broadcast any work that has been already proved. This model of distributed computation could be extended to many other services (Blockchains by Peter Kovary, Fangyi Zhou, Mark Adoul, 2017). Also in 1964, Paul Baran has categorized network communications into three types; (a) Centralized, (b) Decentralized, and (c) Distributed networks:

Figure 2.3.2.2 Three Types of Network Communications



Source: Baran, 1962

The centralized network communication (a) is mentioned to be the most vulnerable among all as the destruction of the single central node can cut off all communication from the whole network end nodes, while the decentralized type (b) will decrease some level of risk by using the hierarchical set of a connected star network architect which prevents the whole network from total disruption. However, (c) is even better as the distributed network has no single point of failure, for any node that has been destructed, other nodes are still connected which provide network redundancy, and other nodes can still perform their functions.

Once a corporation decides to adopt Blockchain Technology, these two perspectives are required to be taken into consideration as they are directly related to the benefit of blockchains such as cost, speed, integrity, security, and privacy.

2.4 Thailand’s Corporate Governance Performance, Risks, and Issues

As Thai listed companies continue to face governance challenges to regain investors’ trusts that are eroded by the corporate scandals and financial crisis of the past decade, a slow economic growth together with high unemployment and political dysfunction further intensify the investors’ distrust in capital market investment. An effective institutional and regulatory setting at a macro level and a good corporate governance paradigm at a

company level are seen as a means to rebuild investors’ confidence in the capital markets (Thai Institute of Directors Association, 2017). The Thai Institute of Directors Association (Thai IOD), Securities and Exchange Commission (SEC), and the Stock Exchange of Thailand (SET), have collaborated to promote corporate governance adoption in the Thai listed companies as the way to create value, achieve good firm performance, and pave the way to long-term business sustainability.

To gather information on corporate governance performance in Thai listed companies, the Thai IOD conducts a Corporate Governance Assessment on Thai Listed Companies and issues the Corporate Governance Report of Thai Listed Companies (CGR) almost every year to keep the status up to date.

To conduct this assessment, the Thai listed companies are requested to submit a number of documents, which includes a CG form, the company’s annual report, annual information filing form (Form 56-1) of the recent submission year, notices and minutes of meetings, article of association, CG policy, code of conduct or code of ethics of the company, and the corporate responsibility report.

The recent CGR 2016 assessment framework and criteria contain five categories for a total of 241 questions:

Table 2.4.1 Five categories of CGR Assessment 2016

Category	Number of Questions
Right of Shareholders	32
Equitable Treatment of Shareholders	19
Role of Stakeholders	29
Disclosure and Transparency	53
Board Responsibilities	108

Source: Thai Institute of Directors Association, 2017

According to the definition provided in IOD CGR assessment, it shows a mixture of the characteristics from the three broad corporate governance theories. Despite the areas of improvement suggest that corporate governance are concerned in three areas, however the main result of assessment indicates the need of monitoring and control as shown in the following table.

Table 2.4.2 Distribution of CG Design Area, Improvement Area and Cost Area

CG Design Area	Suggested Improvement Area	Cost Area
Ownership right	Transparency, shareholder inclusion	Data collection, data integrity, documentation, monitoring
Ownership structure	Transparency, distribution of shareholder power	Structure setup, hiring/firing, monitoring, reporting
Control	Policy/procedure availability and implementation, stakeholder inclusion, disclosure and transparency related to all stakeholder in both financial and non-financial aspects, anti-corruption, social responsibility	Incentives, Training, data collection, data integrity, risk management, monitoring, internal control, audit, contractual cost, and residual loss, dispute settlement

Source: Author’s own analysis

2.5 Corporate Governance Principles, Blockchain Design Principles and Technology Acceptance Model

The principles of both corporate governances found in Thai listed companies and blockchain design have been summarized and categorized into five categories as defined by the IOD CGR Assessment 2016 as seen in Table 2.5.1 below. This will provide a clearer view of how blockchain can improve corporate governance.

Table 2.5.1 Corporate Governance vs. Blockchain Principle Mapping

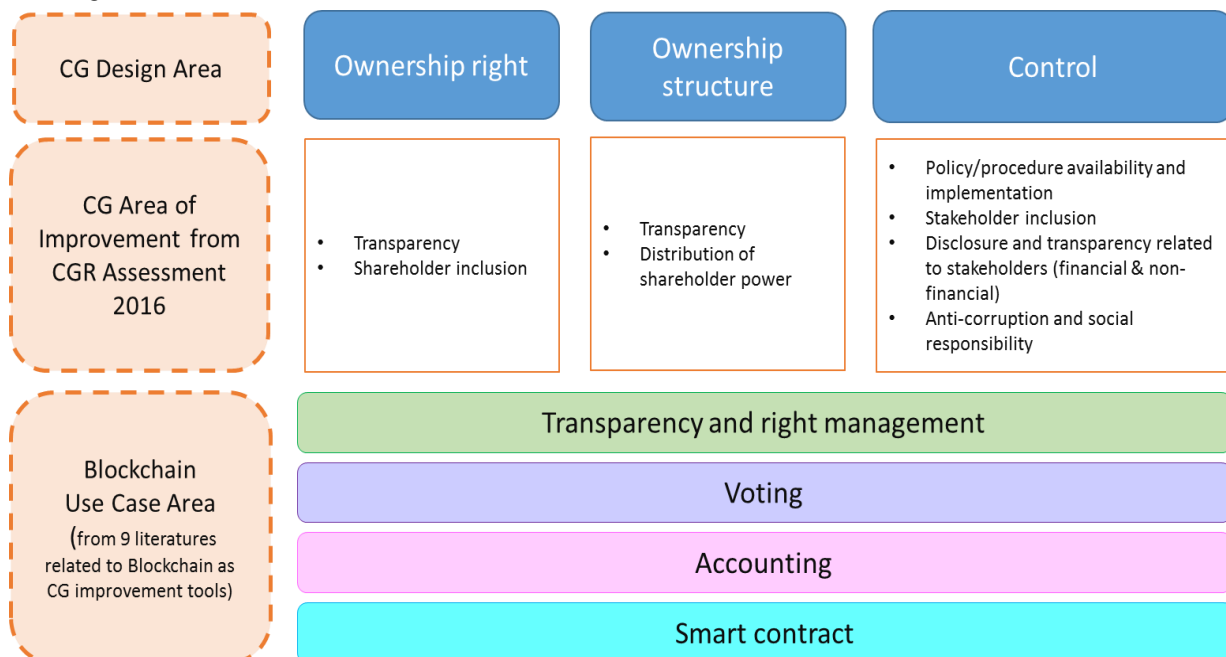
Category	Corporate Governance Principles	Blockchain Principles
Rights of Shareholders	Shareholders have their rights and are well facilitated; ownership structure is transparent	Right reserved, network integrity
	Right to receive dividends	Right reserved, value as incentives
	Right to inspect the records and books of the corporation	Right reserved, network integrity
	Right to elect the directors	Right reserved, distributed power, inclusion
	Right to bring lawsuit against the corporations and wrongful acts by directors	Network integrity, security
Equitable of shareholders	Shareholders are treated fairly.	Inclusion
	Both major and minor shareholders	Distributed power, network integrity
	Shareholders and managers can select their information exposure level	Privacy
Role of Stakeholders	All stakeholders are included	Distributed power, inclusion
	Policy is available and implemented	Network integrity, value as incentives, security
	Shareholders and managers can select their information exposure level	Privacy
Disclosure and Transparency	Information of the company is disclosed on a timely manner	Network integrity, security, privacy, inclusion
Board Responsibilities	Board act on a fully informed basis with ethics, work to achieve the company goal	Network integrity, security, privacy, right reserved, inclusion

Source: Author's own analysis

Even though the three main areas of focus on corporate governance are still Ownership rights, Ownership structure and Controls, but the choice of adoption and use cases can vary depending on each corporate organization’s process and decision making.

To improve corporate governance performance and achieve its objectives, there are four main functions that can be accomplished by blockchain technology - transparency of ownership or rights management, corporate elections or voting, accounting, and smart contracts or pre-defined self-executing contracts, as see in Figure 2.5.2 below.

Figure 2.5.2 Corporate Governance Improvement and Blockchain Use Case Area



Source: Author’s own analysis

Blockchain use cases that have potential implications to improve Corporate Governance and their examples can be seen in Figure 2.5.3 below.

Figure 2.5.3 Blockchain Use Case Examples

Use Case Area	Blockchain Impact	Example	Improvement
Transparency and right management	<ul style="list-style-type: none"> Verifiable and robust identities Cryptographically secured management of stakeholder's ID 	<ul style="list-style-type: none"> Shareholders verification Ownership right Management Transfer owner's voting rights to a proxy 	<ul style="list-style-type: none"> Identity verification at high speed Privacy protection Risk reduction
Voting	<ul style="list-style-type: none"> Transparent voting Remove physical AGM 	<ul style="list-style-type: none"> Shareholder view of information before and after Annual General Meeting e-Voting in an Annual General Meeting 	<ul style="list-style-type: none"> Shareholders participation Evidence of decision making process Prevent electoral fraud
Accounting	<ul style="list-style-type: none"> Transparent audit and financial reporting 	<ul style="list-style-type: none"> Account transaction monitoring & audit Asset tracking and management Financial and other company information disclosure 	<ul style="list-style-type: none"> Integrity and transparency Prevent cronysm, corruption, fraud, false reporting, and risks from human error Fit with new business model
Smart contract	<ul style="list-style-type: none"> The digitalization of listed companies Real-time and responsive carrying out the wished of shareholders 	<ul style="list-style-type: none"> Auto-release information and ownership transfer of shares and assets Real-time auditing and tokenization (buy, sell, transfer, and other shareholder request execution) 	<ul style="list-style-type: none"> Speed and integrity Transparency of contract execution Less constraints of physical borders

Source: Author's own analysis

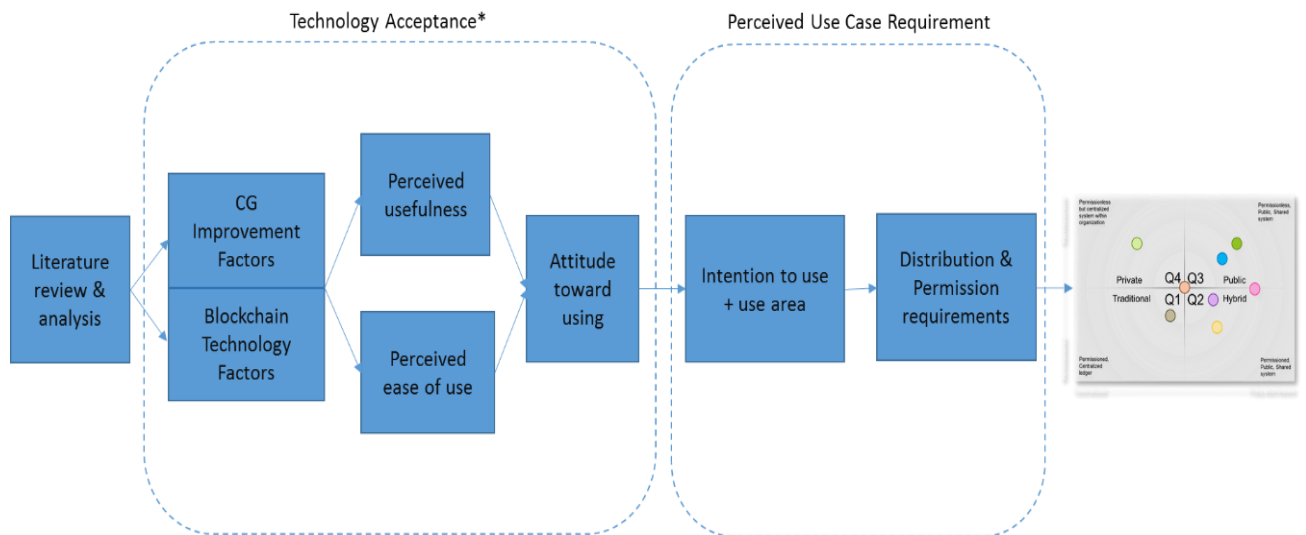
To better assess the factors of acceptance or rejection to technology adoption of Blockchain with the improvement of corporate governance practice, the Technology Acceptance Model (TAM) has been applied. Originally developed through a doctoral dissertation (Davis, 1986) and later a well cited MIS Quarterly article (Davis, 1989), the TAM is an information systems theory that models the decision-making process by which users may or may not adopt and implement a new technology. The theory is an extension of the theory of reasoned action (Fishbein & Ajzen, 1975) which seeks to explain consumer-purchasing behavior. In their seminal MIS Quarterly article (Davis, 1989) and follow-up Management Science article (Davis, Bagozzi, & Warshaw, 1989), tenets of which posit that the adoption of a given technology is based on two major considerations: perceived ease of use and perceived usefulness by the intended user (Daniel Folkinshteyn & Mark Lennon, 2016).

It is widely viewed that empirical support for the model varies depending on situation specifics, however there is a relevant case study by Daniel Folkinshteyn & Mark Lennon

(2016) on Braving Bitcoin: A technology acceptance model (TAM) analysis to demonstrate the feasibility of the model application in a similar nature.

Therefore, to gain viewpoints from industry experts on Blockchain adoption regarding corporate governance improvement, the research model of this study combines TAM with the perceived use case requirement which includes the type of network distribution architecture and the permission level suitable for each industry’s use case, as seen in Figure 2.5.4.

Figure 2.5.4 Research Model

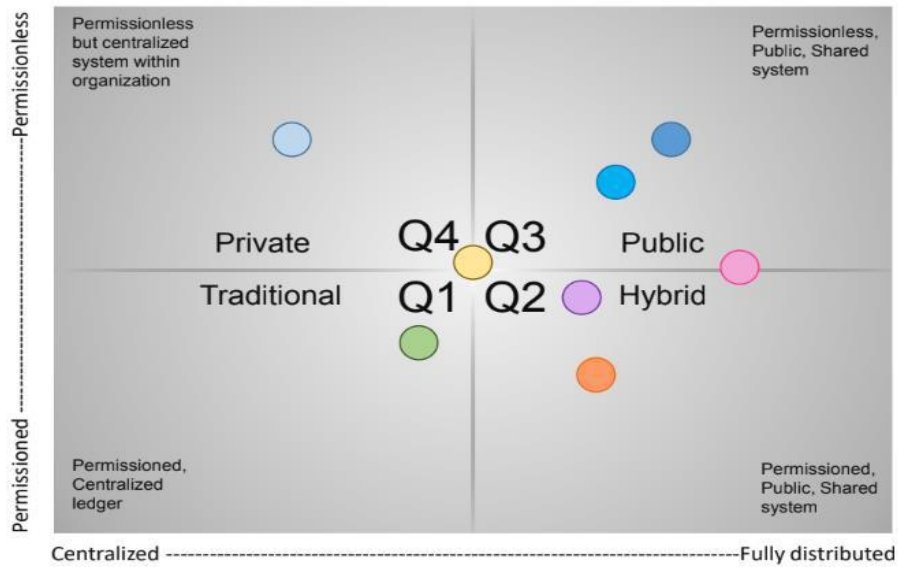


* Adapted from Technology Acceptance Model

Source: Author’s adaptation of Technology Acceptance Model

Based on the above research model, the researcher will summarize the possible use case, permission level, and distribution level into the quadrant as shown in the Figure 2.5.5 below.

Figure 2.5.5 Proposed Guideline Model for Possible Use Case
(Example of preferred industry use case display in quadrant)



Source: Author’s own interpretation

3. Research Methodology

The following methodology is applied for this research:

- 3.1 Literature review in regards to gaining an in-depth understanding of the existing and latest corporate governance status and issues in Thai listed companies as well as what blockchain technology is and how it can contribute to improving governance for corporations.
- 3.2 Synthesis of information and data from the literature review of the relevant theories, principles and corporate governance status assessments that inform areas of improvement and henceforth a research framework to address it.
- 3.3 The use of Technology Acceptance Model as a baseline of the semi-structured questionnaire for in-depth interviews
 - 3.3.1. The use of a semi-structured questionnaire for qualitative interviews with industry experts from Thai listed companies to gain perspective on the acceptance of whether blockchain technology can improve corporate governance or not and its possible use cases
 - 3.3.2. Analyzing and synthesizing the data gathered and the outcome from the interviews to develop an initial guideline for Blockchain adoption in a Thai

environment and its possible use case that includes the criteria based on the consideration level of distribution and permission.

3.3.3. A conclusion will be established to provide researchers with a high-level posture on whether or not blockchain technology has potential for adoption according to industry experts and propose a framework for future research.

This research will use the following purposive criteria and quota sampling methodology:

- 1) Interview sessions with 15 samples due to time constraint limitation.
- 2) Industry experts who have knowledge on corporate governance and/or blockchain will be selected from Thai listed companies as of the end of September 2017 without being gender, age or education level specific.
- 3) Senior Manager level and above or a person who can represent the corporate level in a flat organization

The Quota Sampling Distribution method is used as a baseline for the sample selection. However, in the case that industry experts from any industry decide not to participate in the interview, the researcher will accept the limitation that the industry expert’s opinion could not be generalized across industries.

Table 3.1 The Stock Exchange of Thailand Industries and Quota Sampling Distribution Stock Market

Stock Market	Category	Number of Firms	Percent	Number of Sample
SET & MAI	Agro & Food Industry	59	8.26	1
	Consumer Products	49	6.86	1
	Financials	66	9.24	1
	Industrials	119	16.67	3
	Property & Construction	174	24.37	4
	Resources	57	7.98	1

Stock Market	Category	Number of Firms	Percent	Number of Sample
	Services	142	19.89	3
	Technology	48	6.72	1
	Total	714	100	15

Source: Author’s own analysis

4. Expected Outcome

Firstly, most of the expected results from the study will be on how disruptive technology like Blockchain can improve the performance of corporate governance in Thai Listed companies, close the gap on areas identified from recent studies and successfully provide guidelines to support management in the corporate industry to make decisions regarding blockchain adoption to improve corporate governance. It would be key to be able to identify the selection criteria of the technology that can improve the aspects of transparency and integrity when it comes to corporate governance principles. Secondly would be how the result of the study can generate awareness and interest among corporations in using Blockchain Technology to improve the overall performance and growth from both areas of corporate governance and non-corporate governance.

Lastly, the outcome from this study should help promote the consideration of transparency and integrity by design whether it comes from Blockchain Technology adoption or not, as they are key components to gain trust from investors and facilitate a sustainable economy from leading corporations in Thailand.

Bibliography

- Abdullah, H., & Valentine, B. (2009). Fundamental and Ethics Theories of Corporate Governance. *Middle Eastern Finance and Economics*(4), 88-96.
- Alchian, A. A., & Demsetz, H. (1972, December). Production, Information Costs, and Economic Organization. *The American Economic Review*, Vol. 62, No. 5 (Dec., 1972), 777-795.
- Antonopoulos, A. M. (2014). *Mastering Bitcoin*. Sebastopol, CA, USA: O'Reilly Media, Inc.
- Argyris, C. (1973, May - Jun). Some Limits of Rational Man Organizational Theory. *Public Administration Review*, 33, No. 3, 253-267. Retrieved from http://www.jstor.org/stable/974803?seq=1&cid=pdf-reference#references_tab_contents
- Bank of Thailand. (2017, June 29). *An Update on Innovative Technology Development and Testing in The Regulatory Sandbox*. Retrieved from Bank of Thailand News: <https://www.bot.or.th/Thai/PressandSpeeches/Press/News2560/n2960t.pdf>
- Baran, P. (1962, September). *On Distributed Communications: I. Introduction to Distributed Communications Networks*. Retrieved from RAND Corporation: https://www.rand.org/pubs/research_memoranda/RM3420.html
- Bergquist, J. H. (2017, June). *Blockchain Technology and Smart Contracts: Privacy-preserving Tools*. Retrieved from Uppsala University Publications: <http://uu.diva-portal.org/smash/record.jsf?pid=diva2%3A1107612&dswid=-4178>
- Bitcoin.org. (n.d.). *Bitcoin Developer Guide*. Retrieved from Bitcoin.org: <https://bitcoin.org/en/developer-guide#block-chain>
- Blockchains by Peter Kovary, Fangyi Zhou, Mark Adoul. (2017). *Blockchain Technicals*. Retrieved from Blockchains: http://www.doc.ic.ac.uk/~ma7614/topics_website/tech.html#
- Bogart, S., & Rice, K. (2015). *The Blockchain Report: Welcome to the Internet of Value*. New York: Needham & Company, LLC.
- CBN Insights. (2017, August 25). *Banking Is Only The Beginning: 30 Big Industries Blockchain Could Transform*. Retrieved from <https://www.cbinsights.com>: <https://www.cbinsights.com/research/industries-disrupted-blockchain/>
- Champagne, P. (2014). *The Book of Satoshi*. e53 Publishing LLC.

- Clarkson, M. B. (1995, Jan). A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance. *The Academy of Management Review*, Vol. 20, No. 1, 92-117.
- Davis, F. D. (1989). Perceived usefulness, perceived ease of use and user acceptance of information technology. *MIS Quarterly*, 13 (3) pp. 319-340.
- Davis, F. D., Bagozzi, R. P., & Wars, P. R. (1989). User acceptance of computer technology a comparison of two theoretical models. *Management Science*, 35 (8), pp. 982-1003.
- Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997, Jan). Toward a Stewardship Theory of Management. *The Academy of Management Review*, Vol. 22, No. 1 , 20-47.
- Donaldson, L., & Davis, J. H. (1991, June). Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns. *Australian Journal of Management*, 16, No.1, 49-65.
- Donaldson, T., & Preston, L. E. (1995, Jan). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *The Academy of Management Review*, 20, No. 1, 65-91. Retrieved from http://www.jstor.org/stable/258887?seq=1&cid=pdf-reference#references_tab_contents
- Fama, E. F., & Jensen, M. C. (1983, June). Separation of Ownership and Control. *Journal of Law and Economics*, 26.
- Fernando, A. C. (2011). *Corporate Governance: Principles, Policies and Practices* (Second ed.). Pearson; 2 edition (August 1, 2011).
- Fishbein, M., & Ajzen, I. (1975). *Belief, Attitude, Intention, and Behavior: An Introduction to Theory and Research*. Addison-Wesley
- Folkinshteyn, Daniel and Lennon, Mark M., Braving Bitcoin: A Technology Acceptance Model Analysis (October 2016). *Journal of Information Technology Case and Application Research*, Volume 18, Issue 4, p. 220-249, 2016
- Freeman, R. E. (1984). *Strategic management: a stakeholder approach*. Boston: Pitman.
- Freeman, R. E., Harrison, J. S., Wicks, A. C., Parmar, B., & de Colle, S. (2010). *Stakeholder Theory: Stake of the Art*. Cambridge, UK: Cambridge University Press.
- Gallersdörfer, U. S. (2017, May 15). *Analysis of Use Cases of Blockchain Technology in Legal Transactions*. Retrieved from DEPARTMENT OF INFORMATICS, TECHNICAL UNIVERSITY OF MUNICH: <https://www.matthes.in.tum.de/file/7ksorydesjo0/Sebis->

Public-Website/-/Master-s-Thesis-Ulrich-

Gallersdoerfer/170508%20Gallersdoerfer%20Final%20presentation.pdf

- Hansen, U., Bode, M., & Moosmayer, D. (2004). Stakeholder Theory between general and contextual approaches- A German view. *eitschrift für Wirtschafts- und Unternehmensethik* , 5, 242-250.
- Harrison, J. S., & Freeman, R. E. (1999, October). Stakeholders, Social Responsibility, and Performance: Empirical Evidence and Theoretical Perspectives. *Academy of Management Journal*, 42, No .5, 479-485.
- Hsieh, Y., Vergne, J., & Wang, S. F. (2017, June 16). *The Internal and External Governance of Blockchain-based Organizations: Evidence from Cryptocurrencies*. In Campbell-Verduyn M. (ed), *Bitcoin and Beyond: Blockchain and Global Governance* . Retrieved from <https://www.researchgate.net>:
https://www.researchgate.net/publication/317615386_The_internal_and_external_governance_of_blockchain-based_organizations_Evidence_from_cryptocurrencies
- Hua, A. V., & Notland, J. S. (2017, February). *Project Thesis Blockchain enabled Trust & Transparency in supply chains*. Retrieved from ResearchGate:
https://www.researchgate.net/publication/313309221_Project_Thesis_Blockchain_enabled_Trust_Transparency_in_supply_chains
- Ibrahim, M. A. (2017, May 22). *Applicability of Blockchain Technology in Telecommunication Service Management*. Leiden, Netherlands: Leiden University.
- Jensen, M. C. (1998). Foundations of Organizational Strategy.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Cost, and Ownership Structure. *Journal of Financial Economics*, 3(4),, 305 - 350.
- Kaal, W. (2017, February 5). *Blockchain Solutions for Agency Problems in Corporate Governance*. Retrieved from Medium: <https://medium.com/@wulfkaal/blockchain-solutions-for-agency-problems-in-corporate-governance-a83aae03b846>
- Lauslahti, K., Mattila, J., & Seppälä, T. (2017). *Smart Contracts – How will Blockchain Technology Affect Contractual Practices?* The Research Institute of the Finnish Economy. ETLA Reports No 68.
- Mckinsey & Company. (2001). *Giving new life to the corporate governance reform agenda for emerging markets*. Retrieved from
<http://doc.mbalib.com/view/5f776e18a8984704e4a970ff1ac1f60e.html>:
http://www.eiod.org/uploads/Publications/Pdf/emergingmarket2_mckinsey.pdf

- Meijer, D. B. (2017, April 20). *Consequences of the implementation of blockchain technology*. Retrieved from TUDelft:
<https://repository.tudelft.nl/islandora/object/uuid:da0b8d80-d19e-4149-bfbd-64b0ca79042a?collection=education>
- Nakamoto, S. (2008). *Bitcoin: A Peer-to-Peer Electronic Cash System*. Retrieved from www.bitcoin.org: <https://bitcoin.org/bitcoin.pdf>
- Nuntawun Polkuamdee. (2016, November 7). *Bangkok Post - Business (Archive)*. Retrieved from Bangkok Post: <http://www.bangkokpost.com/archive/sec-hurries-to-acquire-blockchain-trading-advantage/1128901>
- OECD. (1999). *Corporate Governance - The Challenge Facing the Thai Economy. Corporate Governance in Asia: A comparative Perspective*. OECD.
- Organisation for Economic Co-operation and Development (OECD). (1999). *Corporate Governance: The Challenge Facing the Thai. CORPORATE GOVERNANCE IN ASIA: A COMPARATIVE PERSPECTIVE* (p. 3). Seoul: Organisation for Economic Co-operation and Development (OECD).
- Paech, P. (2016, December 16). *The Governance of Blockchain Financial Networks*. Retrieved from SSRN: <https://ssrn.com/abstract=2875487>
- Paizza, F. S. (2017, June). *Bitcoin and the Blockchain as Possible Corporate Governance Tools: Strengths and Weaknesses. Penn State Journal of Law & International Affairs, 5* (2). Retrieved from PennState: <http://elibrary.law.psu.edu/jlia/vol5/iss2/3/>
- Pattison, I. (2017, April 11). *4 characteristics that set blockchain apart*. Retrieved from IBM - Cloud Computing News: <https://www.ibm.com/blogs/cloud-computing/2017/04/characteristics-blockchain/>
- Rizzo, P. (2015, December 14). *NBER Report: Blockchain Could Shift Balance of Corporate Power*. Retrieved from www.coindesk.com: <https://www.coindesk.com/nber-report-blockchain-could-shift-balance-of-corporate-power/>
- Scherer, M. (2017, June). *Performance and Scalability of Blockchain Networks and Smart Contracts*. Retrieved from Umeå University: <http://umu.diva-portal.org/smash/record.jsf?pid=diva2%3A1111497&dsid=-4178>
- Smith, M. (2016). *Blockchain: Understanding the Blockchain Revolution and the Technology Behind It (Paperback)*. Lexington, KY, USA: CreateSpace Independent Publishing Platform.

- Sophonkeereerat, Puriphat; SCB Intelligence Center. (2016, August 17). *SCB Economic Intelligence Center - EIC Analysis*. Retrieved from SCB Economic Intelligence Center: <https://www.scbeic.com/en/detail/product/2620>
- Staples, M., Chen, S., Falamaki, S., Ponomarev, A., Rimba, P., Tran, A., . . . Zhu, J. (2017). *Risks and opportunities for systems using blockchain and smart contracts*. Sydney, Australia: CSIRO.
- Tapscott, D., & Tapscott, A. (2016). *Blockchain Revolution: How the Technology Behind Bitcoin Is Changing Money, Business, and the World*. UK: Portfolio Penguin.
- Thai Government Public Relation Department. (2017). *Thailand 4.0 Policy to Transform the Thai Economy*. Retrieved from Thai Government Public Relation Department: http://thailand.prd.go.th/mobile_detail.php?cid=4&nid=3784
- Thai Institute of Directors Association. (2016). *Corporate Governance Report of Thai Listed Companies 2015*. Retrieved from The Thai Institute of Directors Association: <http://www.thai-iod.com>
- Thai Institute of Directors Association. (2017). *Corporate Governance Report of Thai Listed Companies 2016*. Retrieved from The Thai Institute of Directors Association: <http://www.thai-iod.com>
- The Office of National Economic and Social Development Board (NESDB). (2017). *The 20-Year National Strategies (2017- 2036)*. Retrieved from The Office of National Economic and Social Development Board (NESDB): www.nesdb.go.th
- The Securities and Exchange Commission, Thailand. (2015, October 5). *Good Corporate Governance*. Retrieved from The Securities and Exchange Commission, Thailand: http://www.sec.or.th/EN/RaisingFunds/EquityDebt/Pages/link-Laws_Regulations/CorporateGovernanceCG.aspx
- The UK Government Chief Scientific Adviser, The Rt Hon Matt Hancock MP, and Ed Vaizey. (2016). *Distributed Ledger Technology: beyond block chain*. The Government Office of Science. Retrieved from Distributed Ledger Technology:
- Yermack, D. (2017, March 1). Corporate Governance and Blockchains. *Review of Finance, Volume 21, Issue 1*, pp. 7–31.
- Yusoff, W., & Alhaji, I. A. (2012). Insight of Corporate Governance Theories. *Journal of Business & Management, 1(1)*, 52 - 63.