

# CHAPTER I

## INTRODUCTION

### A. Background

United States (US) and Japan are two countries which have a strong historical background. There was a time when both countries competed each other. It happened during World War II when US was involved in the allied power with Great Britain (UK) France, Soviet Union, and, to a lesser extent, China which were the enemy of axis power, Japan, Germany, and Italy.<sup>1</sup> Thus, two great events which became the starting point of the relationship between those countries were the Pearl Harbor incident on 1941 and Hiroshima-Nagasaki bombing on 1945.

After such a dramatic battle, Japan which decided to surrender must follow all the rules made by US until the day when US given a conditional freedom for Japan. It was declared through San Francisco Peace Treaty (SFPT) Agreement and the signed over Treaty of cooperation and security between the US and Japan on September 8, 1951 that then ratified on January 19, 1960. US power over Japan can be seen in the Treaty of cooperation and security in article VI:

*For the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East, the United States of America is granted the use by its land, air and naval forces of facilities and areas in Japan. The use of these facilities and areas as well as the status of United States armed forces in Japan shall be governed by a separate agreement, replacing the Administrative Agreement under Article III of the Security Treaty between Japan and the United States of America, signed at Tokyo on*

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<sup>1</sup> Glenn D. Hook, (2005). *Japan's International Relations (Politics, Economics, and Security)*, New York: Routledge, p.83

*February 28, 1952, as amended, and by such other arrangements as may be agreed upon.*<sup>2</sup>

With the conditional freedom which give by US, Japan started to rebuild their country with focus in maintaining their economy and open diplomatic relationship with other countries. Japan which dedicated on managing their economic brought Japan to become a super power country in economy aspect and defeated the US. Japan also became the Tiger of Asia which led other Asian countries known on Flying Geese Model.

However, It took a long process for Japan to achieve their success. Three periods indicated the developmental of Japan. The First War Period (1945-1954) is when Japan surrender after defeated by United States. The Second Post War period (1955-1991) is the period of Japan economy reconstruction and remarkable achievement. The Third Post War Period (1992-now) is the period of continuity of development but not as much as second post war period.<sup>3</sup>

The success of Japan was also influenced by some actors who were Japan Prime Minister, especially Yoshida and Fukuda who were then well known with their doctrine. Under the leadership of Yoshida Shigeru during 1950s, Yoshida placed high priority on Japan's economic growth and position in the world and low spending and priority on military, then known as Yoshida doctrine. Yoshida doctrine has encouraged its government and its society to develop their economy.

The result of Yoshida doctrine was bringing Japan to its Miracle period of

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<sup>2</sup> <http://www.mofa.go.jp/region/n-america/us/q&a/ref/1.html> accessed on July 16, 2014.

<sup>3</sup> Oguma Eiji University Keio Japan, *Contemporary Japan from the Perspective of Post-War Japanese History*, 2008 Quoted by Sukmara Rina, *Perkembangan Diplomasi Luar Negeri Jepang di ASEAN Pasca Perang Dunia II*, p.283

Japan. After the destruction of Nagasaki-Hiroshima atomic bombings, Japan had improves their economic growth slowly. As stated by Yoshida in earlier 1950s, “made alliance with United States is a basic key for Japan to do economy reconstruction and also the prominent crossbar in implemented their foreign policy”.<sup>4</sup> As the result of made alliances and Japan efforts, during 1960-1975, Japan had reached 8.26 % for their GDP.<sup>5</sup> This development also influenced by the United States action which positioning Japan as the supplier for the Korean and Vietnam War, but different with Japan, United States only had 3.81 % for the GDP at that time.<sup>6</sup> Again, cited by Yoshida statement, “Korean War is a gift of the God for Japan nations”.<sup>7</sup>

During that time, Japan had succeeded to defeat US and became the second largest economy. That condition has made Japan more confident to reopen diplomatic and economic relationship with the East and Southeast Asian. The economic growth has followed by the development on industrial aspects which affected to the Southeast Asia dependency towards Japan Industrial. Unfortunately, during their development, world public accused Japan as the economic animal. They emphasized on Japan selfishness which only focused on their own development and did not care about the other countries which had bilateral economic relation with Japan.

The term of economic animal made Japan government have to work harder

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<sup>4</sup> Irsan, Abdul. (2005). *Jepang: Politik Domestik, Global & Regional*. Makassar: Hasanuddin University Press, p.92

<sup>5</sup>[http://www.brookings.edu/~media/files/programs/es/bpea/1996\\_2\\_bpea\\_papers/1996b\\_bpea\\_ito\\_weinstein.pdf](http://www.brookings.edu/~media/files/programs/es/bpea/1996_2_bpea_papers/1996b_bpea_ito_weinstein.pdf)

<sup>6</sup> Ibid

<sup>7</sup> *Opcit*, p.181

to carry back the belief of other countries toward Japan. Moreover, the accusation of Japan as economic animal has followed by the action of anti-Japan during 1974. Takeo Fukuda (1977) as the Prime Minister then tried to convince other countries, especially Southeast Asia by using 'heart to heart' diplomacy in order to make Southeast Asia once again believe Japan.

Actually, either Yoshida or Fukuda were focused on three points in order to rebuild a trust from others, which are no military use, peacekeeping around the world, and maintain the economic development and stability through cooperation. Those three points was a strategy used by Japan in creating a good image and keeping its relation with other country, undoubtedly. The implementation of the three points that they had planned are by participating on the multilateral relations and cooperation.

The participation of Japan on the multilateral relations and cooperation had made Japan must give an active reaction toward issues which became international attention. The result of Japan participation was the establishment of Official Development Assistance (ODA) which are the result of Japan participation on Colombo Plan which were also the media for Japan to war recovery for all the victims of their invasion. Japan also participated on the establishment of Ministerial Conference for the Economic Development of Southeast Asia (MEDSEA) in April 1966 and the Asian Development Bank (ADB) in November 1966. Besides, Japan also participated in International Organization such as United Nation, APEC, ARF, etc.

Japan participation on the multilateral relations and cooperation was

triggering the closer relation between Japan and Southeast Asia. ODA which was the instrument of Japan diplomacy has developed not only for recovery of the occupation but also the media for giving assistance such as loan, technical to another country. Japan also takes a role as mediator when there is conflict between Cambodia and Vietnam. One interesting point when Japan bureau had initiative to organize an association that concern toward fund provider. The initiative was the establishment of Asian Monetary Organization (AMO) or *Gyohten* Initiative, but the AMO not established because there is no any suitable event for release it.<sup>8</sup>

Japan effort to rebuild the trust from the Southeast Asia made Japan as the role model for Southeast Asia. The return of trust by Southeast Asia toward Japan can be seen from Prime Minister Malaysia, Mahathir Mohamad who launched his 'Look East' policy in the early 1980s, convincing of the opportunities for Southeast Asia to learn from the development of Japan's political economy.<sup>9</sup> Moreover, when East Asian Economic Caucus (EAEC) proposed by ASEAN in 1990s, as proposed by Mahathir, Japan placed in EAEC as the effective leader of an exclusive bloc in East Asia.<sup>10</sup>

The relations between Japan and Southeast Asia had slowly become in one harmony. Following the establishment of Association of Southeast Asia Nation (ASEAN) on 1967 made Japan have a deep relationship with Southeast Asia which then amend to the establishment of ASEAN+3 initiation together with

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<sup>8</sup> Lipsy, Philip (2003), *Japan's Asian Monetary Fund Proposal*. Stanford Journal of East Asian Affairs, p. 94

<sup>9</sup> Ibid p.197j1

<sup>10</sup> Ibid p.201

China and South Korea. That is why when Southeast Asia country was facing a crisis, Japan vigorously responding the crisis with an initiation to cope off the crisis.

Asian Crisis on 1997 is one great depression which must be facing by Asian countries. This crisis started by the declaration of Thailand that stated their lack of ability in paying foreign debt. The value of Bath became weak toward Dollars. It is impacting a big devaluation of Bath. The contagion then spread up to other Asian countries such as Indonesia, Malaysia, Philippines, Hong Kong, and South Korea which also declared that their country facing a economic crisis.

The First reaction of Japan to the crisis was the join of Japan in the IMF rescue package with providing the largest national contribution US 16 million in August 1997.<sup>11</sup> However, different from Japan, United States not even involves takes in hand to the crisis.<sup>12</sup> Only Japan which vigorously respond toward the crisis. At this situation, United States tend to have no commitment in rescuing which led the Ministry of Finance (MOF) and the Japanese government to propose a region based solution to the crisis. They were forming Asia Monetary Fund (AMF) as the alternative way to out from the crisis.

AMF was proposed in September 1997 by Japan as the effort in helping Asian country who experience crisis at that time. AMF was planned give a fund which composed by ten members (China, Hong Kong, Japan, South Korea, Australia, Indonesia, Malaysia, Singapore, Thailand, and the Philippines).<sup>13</sup> US 100 billion was a digit that will composed by its ten members.

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<sup>11</sup> Ibid p.214

<sup>12</sup> Ibid p.95 (Philip Lipsy)

<sup>13</sup> Ibid p. 95

AMF organized as financial regional cooperation which gives assistance toward some states who have problem with short-period liquidity. Actually, AMF had a same function like the International Monetary Fund (IMF) and World Bank. Nevertheless, in AMF, Japan voluntarily became the prominent fund provider and there is none conditionality to the state which would like to get the fund. The easier way which offered by AMF is very different from IMF who had a stringent conditionality for its member. Unfortunately, this proposal was against by United States, China, and IMF, although there were some countries which agreed with this proposal. US Treasury Secretary, Larry Summers allegedly criticized the plan. Then, the official line of the US Treasury focused on two key factors to reject the proposal, Moral Hazard and Duplication.<sup>14</sup>

On the contrary, the United States rejection made a speculation if there is a hidden agenda created or prepared by the United States. It because there was a rumor that China which agreed to reject the proposal has changed to oppose the plan by emphasizing the threat of Japanese hegemony after lobbied by United States.<sup>15</sup> In addition, there is cooperative framework establishment after the AMF rejection. It was Manila Framework which agreed by United States and IMF as the methods to end the crisis.

## **B. Purposes of Writing**

The general purpose of writing namely:

1. To describe the hidden agendas of United States rejection toward Japan proposal in forming AMF.

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<sup>14</sup> Ibid p. 96

<sup>15</sup> Ibid p. 96

2. To reveal the greed of United States in keeping their position among the states.

### **C. Research Question**

From the background part of this thesis, the writer formulates the research question into: “Why did United States reject Japan Proposal toward the Forming of Asia Monetary Fund (1997)?”

### **D. Theoretical Framework**

Theory is a form of general explanation to answer the question of “why”. In the International Relations, theory is used as a tool to analyze the phenomenon which is happen in the country. To analyze and explain the problem above, the writer using two concepts which are leadership and hegemony.

#### **1. Concept of Leadership**

Leadership means using power to influence the thoughts and actions of others in such a way to achieve high performance. If this understanding is applied to a state perspective, it means a state using power toward others to reach its purposes or objectives. Rapkin claimed Leadership aims to provide world order, which typically includes the properties of peace, stability, prosperity and, in some versions, justice.<sup>16</sup>

According to David P. Rapkin, there are three connotations in explaining leadership concept. First, central connotation of world leadership concept addresses the purposes or objectives leaders seek to accomplish. Leadership

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<sup>16</sup> Rapkin, David P. *The Pacific Review*, Vol. 14 No. 3 2001: 373–410 “The United States, Japan, and the power to block: the APEC and AMF cases” p.376.



hypothesized to facilitate the needs of international cooperation to establish and maintain rule-based regimes, a process that involves the building and subsequent deepening of international institutions. Second, World Leadership emphasis is on the kinds of capabilities necessary for the exercise of leadership. The origin of leadership was concern with hegemonic leadership. Capabilities are provide the hegemonic with structural power that enables the exercise of leadership. Third, Ideational world leadership taps the legitimacy that followers accord to the leader, and focuses on the means by which their consent and compliance is gained.<sup>17</sup>

By combining the three connotations it can be concluded that United States had intention to reach their leadership aims, capabilities enabling structural power as the main actor or hegemony leader, and the legitimacy granted by followers. It simply showing that leadership formulation is the application of structural power to legitimate purpose.

According to Susan Strange (1987, p. 189), Structural power can define as:

The power to shape and determine the structures of global political economy within which other states, their political institutions, their economic enterprises and (not least) their scientist and other professional people have to operate.

Structural power means rather more than to set the agenda of discussion or to design the international regimes of rules and customs that are supposed to govern international economic relations. That is one aspect of structural power, but not all of it. In short, it confers the power to decide how things shall done, the power to shape frameworks within which states relate to each other, relate to

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<sup>17</sup> Ibid p.376

people, or relate to corporate enterprises.<sup>18</sup>

The winning over USSR in cold war has brought US as the new hegemony power replacing United Kingdom.<sup>19</sup> Moreover, United States had a veto power in some international organizations such as United Nation, IMF, and World Bank. Those powers strengthen US Leadership status over other states and it enables US to achieve their interest to enabling structural power as the main actor of hegemony leader. It means US had more power to control or influence others states, especially in international economic issues.

## **2. Concept of Hegemony**

Hegemony is superiority over power in economy, politic, or military of a state toward other states in certain region.<sup>20</sup> Hegemony has built based on the premise that ideas and physical power are important on controlling socio-politics. To become hegemonic, a state would have to found and protect an international order which is universal in conception.

According to Gramsci (1923, p.112), the concept of hegemony refers to how a class exerts influence over other classes in such a way that they will follow its political and economic project.

two major superstructural 'levels': the one that can be called 'civil society', that is, the ensemble of organisms commonly called 'private', and that of 'political society' or 'the state'. These two levels correspond on the one hand to the functions of 'hegemony' which the dominant group exercises throughout society and on the other hand to that of 'direct domination' or command exercised through the state and 'juridical' government." "The "spontaneous" consent given by the great masses of the population to the

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<sup>18</sup> <http://www.lse.ac.uk/IDEAS/programmes/USProgramme/conferences/US-Structural-Power-2013/StructuralPowerDef.aspx>, Accessed on November, 26 2014

<sup>19</sup> <https://www.mtholyoke.edu/acad/intrel/pol116/hegemony.htm>, Accessed on November 10, 2014

<sup>20</sup> B.N. Marbun, SH, (2003) *Kamus Politik*, Jakarta: Pustaka Sinar Harapan, p.200.

general direction imposed on social life by the dominant fundamental group” and “the apparatus of state coercive power which “legally” enforces discipline on those groups who do not “consent” either actively or passively.<sup>21</sup>

What Gramsci intended with hegemony are the subordinate must accept the ideas, values, and leadership by the dominant groups. The concept of hegemony explain about having power over others, eventhough its subordinate did not physically or mentally induced to do so, nor because they are ideologically indoctrinated, but it sometimes because they have reason of their own. That is why the one who have the status as hegemony will have a power to control over and influence their subordinate. In addition, Gramsci has mentioned that supremacy of its hegemony power were economic domination; moral and intellectual leadership.

Based on the explanation of hegemony, having hegemony power is a prestige position for any states. It is become an important instrument that must be have by a state to reach its national interest because using media like war was no longer effective to have influence toward other state. To achieve or maintain a hegemony status, a state was supposed to having a power over other state.

US as the hegemony leader had ability to control trade and world finance.<sup>22</sup> Related to the rejection toward AMF proposal, it indicated that US used its hegemony power to block any possibilities which might threaten US position. Japan with great economic power and close relationship with Southeast Asian countries is a threat for the hegemony owned by US.

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<sup>21</sup> Gramsci, 1971, p1 cited in Chapter 22: Antonio Gramsci – theories of hegemony, civil society and revolution <http://marxisttheory.org/antonio-gramsci-theories-of-hegemony-civil-society-and-revolution/> Accesed on November 26, 2014

<sup>22</sup> Keohane, Robert O.1984. *After Hegemony Cooperation and Discord in the World Political Economy*?. New Jersey. P. 139

If the US agree with the AMF proposal it means the US are threatening their own position as hegemony and directly give a free way to Japan replacing their position. Therefore, in order to limit or prevent that possibility, the US must make a strategy to keep their status as hegemony. Rejecting the AMF proposal might be the best choice for US.

US who acts as a leader with morality and intellectuality can boost other countries which are below think that every action or decision that made will appear as the best choices that been decided carefully. Supported by other instruments such as democratization and bring humanity issues has more shown that US is a truly leader and appropriate with their status as super power country. Therefore, US can remain as the hegemony one.

#### **E. Hypothesis**

The United States rejection toward Japan Proposal on the forming of Asia Monetary Fund was because United States want to keep their structural power and hegemony in Asian Region.

#### **F. Method of Writing**

The method of writing in this thesis is using qualitative method. However, in this writing, the writer uses several ways to collect the data in order to discuss the problem, the ways as follows:

1. Media research

Collecting data from media such as the internet website in order to find references and sources to accomplish the explanation of the problems.

2. Library research

Collecting data from books or journals to study the relevant sources in order to discuss the problem.

### 3. Data analysis

Checking the relevancy of the data gained from the media and library research in order to be used as the sources in the final thesis arrangement.

### 4. Proving hypothesis

By derived the meaning of the title, the discussion of the problem, and the data analysis.

## **G. The Research Area**

In order to make the discussion not too wide and out of the topic, the writer tries to impose limitation on preparation of this thesis. The research area will focus on the history and the development of relations between United States and Japan, Asian crisis in 1997, and the reaction from both countries toward the Asian crisis, including the analysis of the rejection of United States toward the AMF proposal.

## **H. Organization of Writing**

In this writing, the writer shared the topics into chapters where it involved each other as a united structural topic.

Chapter I : This chapter will be an introduction chapter of the problem. The requirements are the problem background, purpose of writing, research question, theoretical framework, hypothesis, methods of writing, the research area and the organization of writing.

Chapter II : This chapter will explain about the dynamic relations between United States and Japan.

Chapter III : This chapter will explain about the Chronology of Asian Crisis (1997) and the forming of Asian Monetary Fund (1997)

Chapter IV : This chapter will discuss about the motives of United States Rejection toward AMF Proposal by Japan.

Chapter V : This chapter or the final chapter of this thesis would explain about the conclusion which is the result of the analysis based on research and data.