

CHAPTER I

INTRODUCTION

A. Background

Japan as an industrial country grows like one of the most significant economic power in the world. According to the International monetary fund (IMF) in 2018, Japan is the third biggest economic power in the world, with a total value of USD 5.1 trillion (World Economic Forum, 2018). Manufacture industry becomes the most crucial sector of Japanese economic growth, as we can see, many Japan automotive and electronic brands separated around the world. Even Japan has not many natural resources, but Japan could be a great actor in international economic by import raw material from other countries then manage, and it is finished goods.

As the country which has long history with US, the relation of Japan and the US started after World War II after Japan gets lost when Hiroshima and Nagasaki bombing. Indeed, that made Japan gave up to US and Japan signed the article 9 of San Fransico treaty, which made them could not maintain and build up military power. According to article 9, the US hold Japan's military and security. This agreement makes Japan have an excellent bilateral relationship with the US. Furthermore, Japan and the US build mutual relation that supports the US in economic, Since both country frequently conduct relation in economic. Both countries have been good ties for a long time because of both countries very dependent on each other.

Japan has been the old partner for The US since the Japan-US treaty 1951 in Francisco (Ministry of Foreign Affairs of Japan, n.d.). In this treaty, the Japanese military hold by the US, and Japan cannot conduct a military activity or military maintaining. It means that Japan security depends on the US military protection, proven by conducting the US Military base in Okinawa. Japan-US treaty was signed for further close

relation for the US and Japan. Even Japan has seen dependent to the US, but actually, they have other options in cooperation besides San Francisco treaty 1951 which relate with security of Japan. Further ward it would be useful to the Japan and US economic. Japan becomes the potential partner on trading for the US and vice versa, Japan can focus on industrial and economic development of Japan because US has guaranteed the Japanese security as agreed on San Francisco Treaty 1951.

Known as " Asian Miracle," Japan became the most significant economic country in Asia during the cold war. However, the tension of Japan-China came up of Japan relation with the US During the cold war, Japan as partner of the US against the communist idea of China (Wardani, 2016). The Japan-US relation success in maintaining their role well in implementing their agreements, or in other cooperations. It shows from Japan security toward treat from both Korea and China success keep by the US. Meanwhile, Japan has been a great economic partner for US in lifting US's economy through the Bank of Japan, which has been become the supplier in US saving (Wardani, 2016). Japan is successful to help US in maintaining its economical and make the US become the most robust economy in the world.

During the cold war, China had been a Japanese rival in economic since China has been grow up in economic and development. Meanwhile, on the other side, the US did not have a good relation with China because China used communist idea while the US promoted democracy. The Shinkaku Diayou island dispute sometimes also makes high tension of both Japan and China. Moreover, the US, as the alliance of Japan also takes action on it. Despite in security still got high intention with the Japan and US, while in economic China survived and focus on its economic with his one belt one road policies to create significant economic power in the world.

Actually Japan-China economic relation is good. Moreover, Japan see China is potential partner in economic

with the high economic trend of China in world economic. Moving on and Forgetting about the pain in the past time of both countries, Japan is very superior in Asia with strong military power and economic, by the time china become super power and has same level with Japan and the US. Now both countries need each other. Japan has many goods that they can sell. Japan needs China as the market for Japan's goods. Meanwhile, Japan is a potential partner in economic for China. According to China premier's speech on Japan treaty anniversary in Tokyo 2018," Sino Japanese joint declaration to become the new era of Japan-China relation, 20th anniversary signifies that Japan-China has been maintaining their relation. Moreover, the 10th anniversary of China-Japan joint statement on all-round promotion of strategic relationship of mutual benefit has brought Japan and China into a new era of their good relation " (BBC Monitoring Asia Pacific, 2018). China becomes a potential market for Japan since many Japanese cars are exported to China.

Currently, Japan- China relation improved well. In April 2018, both countries finally, for the first time after eight years, conduct a high-level meeting to talk about their upcoming plan for the future (Natalia E. C., 2018). Moreover, both country also conduct annually a Japan-China finance dialogue. Last year has been succeeded held in Tokyo.

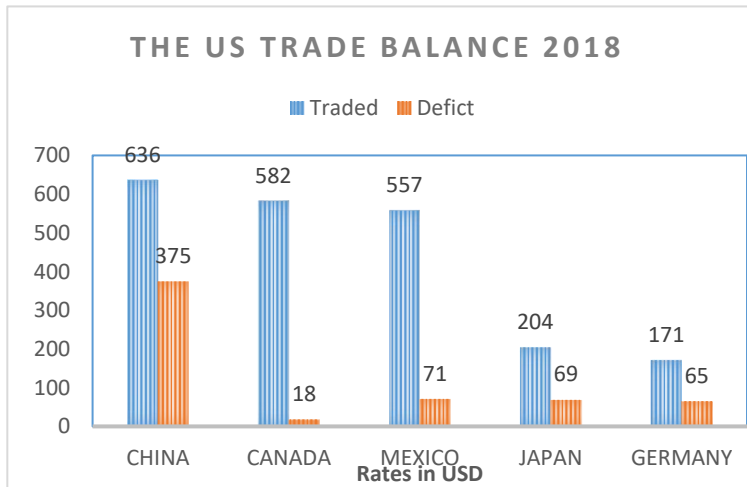
Japan and China come to new era of economic development. Even Japan's economy still growing, but there are a lot of challenges that threat the Japan's economy. In the early of 2018, the US-China trade war has been started and affected the world economy including Japan's economy. Trade war staterd when President Trump increased taxes on trade toward China.

President Trump claimed that it made US deficit around 600 billion dollars per year, and that became the reason of policies in order to protect national security and intellectual wealth of US business US (Whitehouse.gov, 2018). However,

China response to increasing their taxes on trade war between two countries.

The US has implemented USD 250 billion toward China. While, China also responded by increasing their trade's taxes toward US export by increasing it to USD 110 toward the US (China Briefing, 2019). It became an extreme movement because those two biggest economies in the world would fall into a trade war. The trade war has been affected by world economic, especially for those countries which have direct business with both countries, not an exception for Japan as the third biggest economic power in the world.

Figure 1 : US Trade Balance 2018



Source : (Khan, 2019)

According Figure 1 above shows that trade war has been decrease the economy of some countries including Japan. Japan as the third significant economic power in the world. Familiar with the industrialized country, Japan was affected by this trade war. It shows from Japan's export value got

fluctuation accumulated from January to August in 2018. Closely, it also affected the other countries export, including Canada, and Mexico (Iizuka, 2018).

According to IMF, in 2019, it was 1.7 percent of the economic growth in the developed countries decreased. Besides, it was 3.9 percent of economic growth in developing countries decreased. For Japan, the trade affected Japan's economic growth got down within 1.6 percent. (Katadata.co.id, 2019).

That becomes a threat for Japan to make it work hard in maintaining its economy. Transportation and manufacturing industry become the featured product for Japan. Indeed, from past time Japan becomes the most innovative country that produce goods like cars and manufacturing. They hold the idea of flying geez, which mean always be the first in technology innovation. Even though Japan still become the most developed in technology, but they need US, China, and other countries to sell their product. US and China become a potential partner for Japan in economic, especially China, where Japan has a significant market there. Unless the US also still become an old partner because Japan still has an agreement with the US, which makes them dependent on the US, especially in security.

China, as one of the biggest market for Japan, has been decreasing in export goods because of US-China trade war. On December 2018, Japanese export to Asia also decrease 6,9 %. Meanwhile, there are increasing 1.9% of Japanese Export to the US, including cars and crude oil. (Sebayang, 2019). Indeed, this made Japan dilemma when US-China stood on their policies that impact to Japan's economy. However, both countries for Japan has benefited, so Japan cannot stand on one state only. Whether or not Japan independently should have a strategy to prevail on this trade war.

B. Research Question

Based on the background explanation, in order to understand more about Japanese stand and strategy on trade war phenomena, then the research question would be :

What kind of strategy applied by Japan to cope with the US-China trade war?

C. Theoretical Framework

To elaborate on the Japanese strategy to cope with the US-China trade war, Firstly, the writer explained the definition of foreign policy. Then, to support this thesis, the writer used the theory of foreign policy to describe Japan's strategy to cope with the US-China trade war. Thus, to complete and strengthen Japan's foreign policy, the writer also used the theory of pragmatic to vividly describe Japan's strategy to cope with the US-China trade war impact on Japan.

1. Theory of Foreign Policy

Foreign Policy, according to Joshua Goldstein, is the strategies taken by the government of a state to decide their action in International relations (Goldstein, 1999). While according to K J. Holsti, Foreign Policy is actions or ideas design to solve the problem or make changes in an environment (Holsti, 1983). Indeed each country has a deferent foreign policy to reach its interest in International relations. Generally, Foreign policy used to influence the other state or entities in order to reach the benefit from the relation or the agreement among states which has involved in the issues. According to Rosenau, the aim of the Foreign policy is a function of the process by which state objectives are compiled. These goals are influenced past and aspiration for the future (Rosenau, 1969).

According to KJ. Holsti, the two more dominant goals in the country are the medium term goals and long term goals. The medium-term goal is to increase prestige the country in the system, the indicators of these idea are industry, technology, financial assistance, and military. While the long term goals are plans, dreams, and views concerning the last political organization or ideology in the international system, these ideologies are rules that govern state action in the international system (Holsti, 1983). While for Rosenau stated that the long term goals, in this case, is peace, power, and security (Rosenau, 1969). In Japan, Foreign policy also considers these goals where Japan consider the US, which become the Japanese alliance since the past time, while China also becomes a potential partner for Japanese industry and economy.

a. Foreign Policy Action Process

The action of a state which can influence the other state action determined by the state power in delivering the purpose of the state to reach national interest. Where in this part, power could be seen in three ways as follows :

1. Influence

Influence is a tool to achieve goals. The influence is used by the government to achieve or maintain other objectives includes prestige, territory, soul, raw material, security, or fellowship.

2. Mobilization of specific resources

Resources mean the physical, mental object that is available as the tool to persuade the other state to reach the national interest. Like Japan has power in the development of technology and manufacturing can be seen as the specific resources, while in the human resources needs could determine as the specific resources where it can be the medium to bargaining with other states to complete their needs.

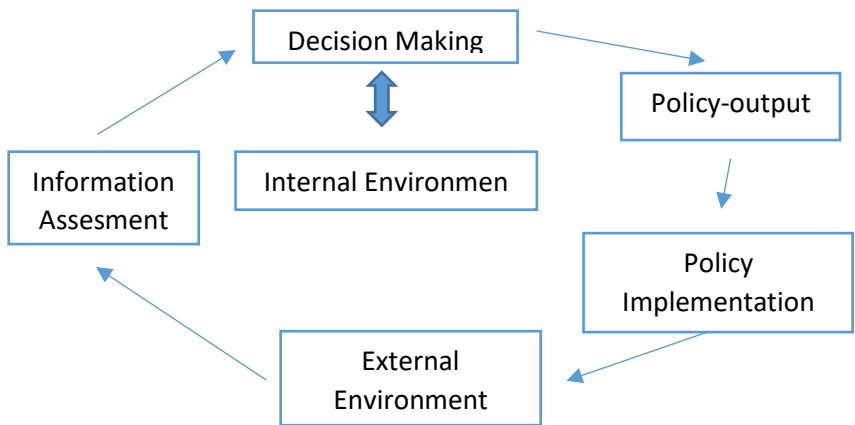
3. The act of influencing and concerning relations between the two countries
The action which influences the other state involves its relation with the state though there is no communication between the two countries.
 4. Influence and power
State, with its power, and another state cannot encounter the power can be said that the state is stronger than other states.
- b. Variables that affect the Implementation of Foreign Policy Influences
1. The relevance of diplomatic situations
Indeed each state has resources, like natural resources, military et cetera. However, it means nothing if there are do not have relevance to the delicate situation where they want to conduct. Like in Japan, they have developed technology and professional mechanic will be useful when the partner needs that to develop and reach their national interest.
 2. Dependence between the two countries
This variable determines the success or failure of relations between the two countries. Generally, countries that need something vulnerable to the influence of other countries. It is the reason why weak countries get concessions from powerful countries. Japan is very dependent on the US, since Francisco treaty 1951 when Japan lost from the US after WW II, until now Japan depend on US military which makes Japan should keep their good relationship with the US
 3. The level of technical expertise of a country

The number of issues arising in the foreign policy currently very technical, like marine law, monetary issues where technical issues are more critical than types of other resources. The government that has complete statistic data,

advanced technology, fully mastering the nature of the problem and can solve it with science knowledge for more influential than other countries. Japan, as the advanced technology country, can compete with another country because they have been developed many things that can help them in production, like manufacturing where Japan become one of the states that developed it.

An internal and external factor influences foreign Policy decisions, then sorted by the decision maker based on the significant interest for the internal state. (Yani, 2006).

Figure : 2 Policy Making process



Source : (Yani, 2006)

According to Formulating process of Foreign Policy above could explain the Japanese point of view on seeing the trade war phenomena which stimulate Japan to create Foreign policy to survive in US-China competition in economic. While in the External Environment US-China trade war was happened and treated world economic not except Japanese economic.

As the information assessment Japan realize that as the third biggest economy in the world, the US-China trade war was treated them and also the other countries where we can see the impact of it one of them is increasing of dollars value and another tariff in world trade, Japanese trade activity also disturbed cause of US-China trade war. Moreover, in Internal environment, Japan still produces many goods in a big party like in automotive as the number one productions in Japan, which has a significant contribution to Japanese economic.

By the US-China trade war makes increasing tariff cause of the increase of the dollar, and it was disturbed Japan-China trade activity on indirectly way. While the policy output from Japan is strengthening bilateral relations with both states and focus on developing national economic at international level. As the implementation, Japan actively maintains its relations by conducting the friendship anniversary with China in 2018.

2. Theory of Pragmatic

In general meaning, according to Robert Westbrook, in ordinary speech, pragmatic is someone (often a politician) who is willing to settle for a glass half empty when standing on principle threatens to achieve less. (Westbrook, 2005). These are related to future action which the actor will do in a relations cause of an event. To understanding the pragmatic theory, there are several thought related to pragmatic theory in international relations theories. Regarding the compatibility of the research, the writer uses a pragmatic theory base on liberalist thought.

Liberalist thought the scope of interaction widens not the only action motivated by a desire to increase geopolitical power and security, but also culture and economic development. According to Milner, the international stage is more full represents and interdependent network of factors with bountiful opportunities, particularly for liberal state peacefully coordinate actions, build global institutions, and develop cultural and social capital. (Milner, 2006). According to John

Ryder in Ralston, a foreign policy built on pragmatist principle is neither naïve nor dangerous, it is very much what both the US and the world currently need (Ralston, 2013).

According to theory explanation above, the foreign policy builds on the pragmatic principle for Japan is very necessary regarding the situation of the relation among the US and China in the trade war period. Japan seems neutral in approaching both the US and China. Japan more focus on strengthening their bilateral relations with both the US and China, also focusing on maintaining their domestic aspects. Until now, Japan still follows the article 9 of the San Francisco treaty, while it is an implication that both countries enjoy with treaty even Japan under US military defense. Meanwhile, Japan and China, after Shino-Japan treaty still strengthen their friendship, the evidence of it is from their annual event Japan-China friendship followed by Japan-China Finance dialogue. These become the effort of Japan to maintain its relationship with the US and China since both countries have each beneficial for Japan in the future. Meanwhile, Japan focus to build their country from inside by maintaining a Japanese problem, especially in production. Japan with Shinzo Abe's Policy on Japan migration, which openly receives more passenger and worker to Japan as a response toward Japan's problem on the demographic aspect which affected Japan's production on economic.

D. Hypothesis

Base on the explanation above on the theoretical framework, there are two hypothesis of this research as follows:

1. Japan maintains it good relationship with both the US and China as well as the countries in order to prevent the harmful impact of the trade war to Japan's economy.
2. Maximizing its role in multilateral cooperation like Trans Pasific Partnership (TPP) and G20.

3. Japan implemented Shinzo Abe's policy on Japan migration to cope with the demographic problem, build and strengthen Japan's economic from inside by improving product quality, and make innovation on production goods.

E. Research Methods

1. Type of Research

The research method which the writer uses to describe this under graduate thesis is qualitative research methods. Qualitative research is research method that emphasizing natural character or data sources, not used calculations, used to describe and analyze events, phenomena, based on social activities, beliefs, attitudes, perceptions, and people individually or groups (Sukmadinata, 2009).

2. Data Collection

The next step taken by the writer after determining the method of data collection is determine the utilizing data collection technique. Data collection techniques is strategic step in research to obtain the data to reach the purpose of the research. Data collection technique is necessary in this research study to process the data to be served into systematic information to the readers.

Therefore, the data collection technique that will be used by the writer is through library research since the research used secondary data from many platform of literacy. Literature study is data collection by examining the number of literature in the form of books, journals, documents, articles, papers, internet, and other official sites that are related to the main problem (Koentjaraningrat, 1983).

3. Data Analysis

The next step after data collecting is data analysis whis is a process of searching and compiling the data

obtained from field notes, interview an expert of the relate to the field to be documented and organize the data into several categories, describing into units, and arranging into patterns, the choose which are important and relate with the research then make conclusions (Sugiyono, 2012). In addition, data analysis is a series of activities to process the data collected from data sources into a set of results, both in the form of new discoveries and in the form of hypothesis correctness (Hasyim, 1982).

Based on the understanding of experts above , the data analysis technique used by the writer to process the collected data into a set of results in order to serve the understood result and used for the reader.

F. Research Purpose

The purposes of the research are below:

1. To describe the Japan foreign policy toward trade war phenomena in the world economic and how Japan's relation to both of US and China in economic during trade war.
2. To describe the impact of trade war and kind of the strategy that implement by Japan to prevail the impact of trade war to Japan economic.

G. Scope Of Research

The scope of research is important to serve the information in this undergraduate thesis since the aim the scope of research is to avoid too broad discussion of the topic to be discussed in undergraduate thesis. In this thesis, the writer focuses on the Japan's strategy to prevail the US-China trade war and the Japan relation to US and China during trade war. The period of time that will be analyzed is during trade war it is from the emerging of US- China trade war in 2018 where its begin from the president Trump policy to increasing tax to the China's

good. Thus, China also response by increasing its tax toward the US

H. Outline

The outline of this research as follows:

Chapter I explains Introduction that consists of Background ,Research Question, Theoretical framework, Hypothesis, Research methods, Research purpose, the scope of research and the outline.

Chapter II Contains of two sub chapter as follows :

II A Discusses Japan-US economic relations in term of trading activity and economic agreement of both countries. Thus the policies that implement by the Japan toward its relation with US

II B Discusses Japan's economic relations with China and the factors that make Japan still keep its relations with china in economic, Thus in this sub chapter also discusses Japan's economic policies toward China.

Chapter III discusses trade war phenomena between US and China contains the factos which triggered US and China falls into a trade war. Thus its impact to the world economic especially Japan's economic.

Chapter IV discusses the practical strategy and the efforts of Japan's government to cope with the impact of US-China trade war. For instance, Japanese Foreign Policy in maintaining bilateral relations with the US and China, and Japan Foreign Policy toward countries market.

Chapter V contains a conclusion based on the writer's view of the results of the research that has been carried out. The conclusion in this chapter is the final results of a series of author research processes.