CHAPTER 1
INTRODUCTION

A. Background

Protectionism policy is one policy established in Trump Administration after he has been elected as the President of the United States in 2017. In accordance to his campaign "to make America Great Again", Trump wants improve the economics of United States by using Protectionism policy because in 2016 America's deficit reached US $ 500 billion, so the United States tried to reduce the deficit (Thief Petersen, et al, 2018). Protectionism policy means that government intentionally implements policies with the aim of controlling imports or exports by overcoming various trade barriers, such as tariff quota with the aim of protecting the industry or the domestic business from the competition of foreign industries (Sumadji P., et al, 2006).

Protectionism is considered as one of the ways to improve the economy of a country by limiting trade. Protectionist policies carried out by a country's government aim to help develop domestic products and fight certain foreign producers by increasing import tariffs and reducing costs charged to domestic producers such as tax reduction. Also, it limits access of foreign producers to the domestic markets (Perbawa, 2016).

In Trump Administration, there are several actions conducted such as withdrawal from TPP (Trans-Pacific Partnership), a limiting the number of immigrants that entering in the United States and applying border tax that taxes on imported products from other countries in order to protect similar product made by local companies. Border tax also intended as a penalty for companies that had factories abroad. Trump also called for a 20% tax on any countries that export

goods to the United States (Rogoff, 2017). That means the Border tax can increase demands for the United States products overseas and reduce demands for imported products, US Dollar will strengthen, and the United States trade deficit will decrease. However, Trump's protectionism is risking bilateral relations with US-allied countries (Muttaqiena, 2017). Protectionism policy has been implemented by the United States to other countries in the world, and one of them in Japan.

Japan is located in East Asia, and it consists of more than 3000 islands scattered in this region. However, there are only four islands as the main islands in Japan, namely, Hokkaido, Honshu, Shikoku, and Kyushu. Japan is consist of 75% mountains, and 25% mainland Japan does not have many natural resources, but in meeting its national needs, Japan seeks to develop the manufacturing industry. Japan itself is a modern country that has become advanced in economy because Japan's government chose economy as its development and made the GDP of Japan became the competition of China in Asia (Japan Embassy, 2018).

Table 1.1 The Top 4 GDP Income 2014-2016 Around the World

No	Country	Value of USD Trillion		
		2014	2015	2016
1	United States	54,69	56,44	57,58
2	Euro Area	13.479	11.667	11.935
3	China	10.482	11.65	11.91
4	Japan	38,10	34,56	38.97

(Source:data.worldbank.org)

Based on the table, Japan is ranked in the top four of several countries in the world based on total GDP in 2016. The United States is in the first place, Euro area is the second and the third is China. In 2016, Japan export reach $668 billion. The top exports of Japan were Automobile ($100B), Integrated

Circuits(33.7B), vehicle part ($33.5B), industrial printers ($12.5B), and others (OEC, 2016).

With the emergence of protectionism policy where the implementation of trade, especially the increase and limitation in the import and export tariff sector will make the economy some countries unstable and do not only affect the European countries but also Asian countries. It is because many depend on exports as the growth engine. Even though the enactment of the policy will have an impact on economic growth in the region, one of the most affected Asian countries is Japan because Japan is one of the countries in Asia that has better economic power than other countries in East Asia and become a competitor of China. However, if the Asian countries are affected by this protectionist policy, Japan it will be affected too, because the majority of Japanese economy come from FDI and technology.

Japan's relations with the United States can also worsen if this protectionist policy is conducted to Japan. The relation that has been started since the 1930s and emerged advantages and also challenges between the United States and Japan. When seen from the relationship between the two parties, Japan and the United States do not only cooperate in the economic sector but also Military. In the military sector, according to the treaty of San Francisco, the agreement at the end of WW II, Japan country is under the supervision of the United States (Takashi, 2013). Japan is forbidden to build armed forces, so the security sector in Japan is guaranteed or depends on the alliance with the United States.

Furthermore, because of the defeat due to the war, Japan focused more on economic development and played the country's security to the United States. In the economic field, between Japan and the United States collaborate in substantial trade and investment. Besides that, the two countries apply free, fair, and reciprocal trade. In which the United States is

expanding the market access to Japan and improving the living standards of the two countries. Japan is the primary market for goods and services to the United States. Moreover, imports from Japan include vehicles, machinery, optic and medical instruments, and organic chemicals. The next is in investment, The U.S. direct investment in Japan are mostly in the finance/insurance, manufacturing, and wholesale sectors and Japanese direct investment in the United States are mostly in the wholesale trade and manufacturing sectors (Bureau of East Asian and Pacific Affairs, 2018). Thus, the emergence of Protectionism should be attention to Japan because it can disturb the relation between Japan and the United States.

Japan criticized the protectionisms policy in overcoming The United States deficits and unilateral actions by the United States would harm Japan. Higher import tariffs will be excluded, but in the Trump era the campaign on the "America first" made protectionist policies increasingly made Japan worried because President Trump may resort to tariffs or other protectionist measures to fix trade imbalances with Japan under his "America first" policy and also warned that it must be vigilant if there are any Sino-U.S. trade frictions could have on the global economy, which would effect on export in which Japan reliant on it (Kajimoto, 2018). In other words, rising tariffs and increasing the rhetoric that Trump has made pushed into trade wars with some of his biggest global partners.

The Japanese trade ministry itself warns that these impacts can be global. Quoted Japan Ministry of Trade, said:

> "As we know that the impact of this policy will spread globally from policies that limit to fixing it into economic imbalances and taking one act of retaliation which is one by one. Trump's protectionism policy is considered subjective in assessing policy" (White S. , 2018).

Regarding the statement of the Japan Ministry of trade, this policy impact will not only effect one country but also spread to other countries and make an imbalanced economy. The United States has implemented Protectionism policy to some countries such as China, Canada and Mexico. It can be denied if United States took this policy leads to Japan. It will influence Japan in bad way because The Trump administration's tax reform plan includes the introduction of a 20% border tax on imports and also President Trump signed an executive order to withdrawal the United States from the Trans-Pacific Partnership. in which, President Trump attacks on individual companies like Toyota also raise concerns about the trade course he intends to chart (Motoshige, 2017). Therefore, this research is to analyze the reason of protectionism policy of the United States under Trumps administration able to impacts to Japan.

B. Research Question

Why was the Protectionism Policy of the United States under Trump's administration have able to impacts to Japan's?

C. Theoretical Framework

Theory of Interdepence

Interdependency is defined as a dependency that results from the types of international transactions such as the flow of money, goods, services, people, communication and others. Interdependency arises when there is a reciprocal effect, although it is not always symmetrical between actors or actors in various countries. In other words, if something happens in country B, then it comes from country A (Paul R. V and Mark V. K., 2012). Thus, interdependency is not only related to goods and services but also the relations between the two countries if the dependence of a country with other countries is functional,

the relations between the two countries will also be good, and vice versa. As we know if the trade of some state decrease it can make several countries that experience the deficit have conflict because of this policy.

The interdependence theory is when 2 actors or more, cooperate in order to achieve specific goals. Furthermore, such cooperation leads to the interdependence between the 2 actors where these actors need each other (Yanuar, 2007). In other words, interdependence is the interest that brings the shortcomings of each actor through the comparative advantage of society. On other hand, according to Johnson, theory of interdependence is divided into two, there are Positive and negative. According to them, positive interdependence is when individuals perceive that they can reach their goals only if the other individuals with the whom they are cooperatively linked also reach their goals and therefore promote each other's effort to achieve goals (Budiardjo, 2008). The result of positive interdependence is a promotive interaction, which might be defined as individuals encouraging and facilitating each other's effort to complete tasks, achieve, or produce in order to reach the group's goals. It consists of some variables, including mutual help and assistance, exchange of needed resources, effective communication, mutual influence, trust, and constructive management of conflict.

As one of the allies of the United States, it can not be denied if Japan relation with the US has been established for a long time. In which both parties depend on each other. Japan depends on the military and economic aspects of the United States. When Japan did Revitalization of the Japanese Economy in the 1980s, the United States did a direct stake in economy to strengthen Japan because of many American thought that the weakness of Japan economy could be the threat to the U.S and global prosperity (Kim H.-K. , 1999). Thus United States pursued a policy with the purpose to encourage Japan to strengthen the domestic demands, deregulate and restructure its

economy, and improve the condition of FDI with the priority in opening Japans' market and expanding Japanese domestic demands.

On the other hand, the US is one of the trading partners of Japan in which many goods from Japan enter the US, especially Automotive goods and raw materials. Japanese factory outputs fell due to the slowing exports of cars and steel. Steel output also fell because the US imposed tariffs on Japanese imports and other trading partners. This added confirmed that president Donald Trump took a specific step to reduce his trade deficit with Japan. In which according to the trade relations is unfair to the US economy and workers (White S. , 2017).

D. Hypothesis

Following the theory above, the hypothesis that can be drawn regarding the phenomenon of *the Protectionism Policy of the United States under Trump's administration have able to impacts to Japan* because United States and Japan relation relatively intertwined in Military and Economy sector.

E. Research Objectives and Research Benefits

The purpose of the research is to understand the reason of protectionism policy United States under Trumps administration have able to impacts to Japan.

F. Research Methods

This thesis uses descriptive writing, in which the delivery of information is conducted by presenting pictures is with certain situations. The source of data used in this thesis is secondary data obtained indirectly from documents or written data, books, journals, and other sources obtained from the internet or printed materials from media. The data collection technique used are a literature study and documentation on how

to read and analyze various related literature which can then be applying in this thesis. In this description, the data are presented in the form of tables and narratives. Through the tables and narratives, in this thesis about the reason of the protectionism of the U.S on the Japanese, especially toward the military and economic sector. Will be explained clearly and structurally based on the topic of knowledge.

G. Writing Systematics

There is also a systematic writing consisting of five chapters, and each chapter will contain the following:

Chapter I: Introduction that consists of Background, Research Question, Theoretical Framework, Purpose of Research, Hypothesis, Research Methodology, and System of Writing.

Chapter II: Is a chapter that will discuss the Trump Policy of Protectionism, such as withdrawal from TPP (Trans-Pacific Partnership), Limited Immigrant entered the United States, and Applying Tax Border.

Chapter III: Is a chapter that will discuss the Dynamics of the Japanese economy, especially the phase of the Japan Bubble economy and Revitalization of Japan.

Chapter IV: Is a chapter that will discuss about the intertwined relation between United States and Japan it will explain first is of United States and Japan security alliance and the second is the economy relationship.

Chapter V: is a closing chapter that contains conclusions from the details of the discussion of the previous chapter.