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US-China Trade War: Indonesia as a Muslim Majority Country and Vietnam Responses

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Abstract

US-China Trade War : Indonesia as a Muslim Majority Country and Vietnam Responses. This research discusses the responses of countries in Southeast Asia in the context of US-China trade war, with particular focus on what strategies taken by Indonesia (as a Muslim majority country) and Vietnam government to apply and attract investment from US and China as a result of trade war among them. The writer chose qualitative method to get an in-depth data and find the dynamic problems and a strategy taken by a country to overcome the problem caused by trade war. By Using mercantilist approach this paper argues that both Indonesia and Vietnam have a different strategies in order to gain the foreign investor to come to their countries and manage to maintain the sustainability in the middle of trade war escalation. As a result both Indonesia and Vietnam have succeeded in maintaining their economic stability through the strategies they have adopted which have resulted positive.

Keywords: Trade War, Vietnam response, Indonesia response, Southeast Asia, Economic Mercantilism

Introduction

For the past 3 years, the escalation of Trade War between United States of America (USA) and China has been becoming an issue toward trade activities in the world. The rapid economic growth of China (*Emerging Power*) for the last decade through *open-door policy* implemented by President Ding Xiao Ping has become a threat for the US, it is something that clearly to see which shows the domination of China in world's economic trade. Somehow, US feels bother in this situation and one of that when US gained a deficit economic trade with China approximately reached US\$ 357,23 billion in 2017 (U.S International Trade Data, 2017) which could lead to the change of power as it clearly shows that US has the biggest influence or it called as "*Superpower*" since the Cold War

ended. 6 July 2018, in order to limit China's rapid economic development, the US implemented a 25% increase in tariffs on any goods exported from China (Liu & Woo, 2018). It doesn't mean that China did nothing to take revenge to US foreign policy, China at that point also increased the tariff of US exported goods to China by the number of 25%.

The deteriorating situation between the US-China also led to increased tensions between the US and the European Union. This is because the European Union regrets the act taken by President Donald Trump to impose a new tax on 1,300 products from China at 25% such as household appliances, flat screen televisions, dishwashers, and even vaccines (Liz Moyer, 2018). As a result, the high tension between China- US create a benefit and loss to some countries. At one point, countries like Argentine and Brazil has got an impact because the increasing of the tariff implemented by US because of the threat coming from their export activities on steel and aluminum. South Africa is also facing the same challenge caused by trade war, when Trump imposed 25% tariff increases for Steel and 10% aluminum tariff and it might bring a bad effect to South Africa steel and aluminum export activities. The South African government estimates that steel exports to the US represent 5% of national production (Thomas, 2018).

In one of the presentation presented from Research Director for Africa-China Studies University of Johannesburg Bhaso Ndzendze stated that China is the largest Africa's Trading Partner. When the imposed tariff by the US hit the Chinese goods there will be a knocked out effect and commodity prices, local currencies and major stock exchanges will be precipitately drop. Moreover, African Development Bank experts warn there would be a reduction of GDP in resource-intensive African countries reaching to 2.5% and 1.9% reduction for oil exporters from African countries by 2021 (Bhaso Ndzendze, 2019). Yet, there will be another threat coming from US to limit vehicle import, even though it aimed to limit the Europe automobile industries. But, it could affect South Africa automobile industry consider it help South Africa total trade value approximately US\$ 12.5 billion. (Carvalho et al., 2019)

This research aim to find the dynamics brought by the US-China trade war in the case Southeast Asian countries, most notably Indonesia and Vietnam considering how big their influence in ASEAN and their capabilities to keep growing since the both countries successfully attract foreign investment to come to their countries followed by the effort of those countries to keep the economic sustainability. Due to the lack of research toward this issue, then this research will be valuable to attract another people to conduct another research related to this issue. By using mercantilist approach, this research will also analyze the strategies taken by Indonesia and Vietnam on trade war and an effective ways to suppress the negative effects of trade war. The advantages that have been outlined by the writers related to this research are the reasons why the writers chose this issue to be discussed.

The writers use qualitative research method that gathers data from the secondary resources such as books, literatures, journals and other credible and reliable data. From the data gathered above, explained the trade war which had been considered a threat to several countries but could

also be an opportunity to seize the opportunity to increase existing economic competition. Specifically, it will explain the strategies taken by Indonesia and Vietnam to maximize their chances of increasing economic cooperation amid the impact of the trade war between China and the US. This journal is also supported by data obtained directly from the Indonesian Embassy in Hanoi so that the validity of the data can be justified and added value in this journal. So it can be useful for discussion material to be developed more deeply.

Discussion

Theoretical Framework & Literature Review

Mercantilism theory was pioneered by Sir Josiah Child, Thomas Mun, Jean Bodin, Von Hornich and Jean Baptiste Colbert, this economic theory explains that the welfare of a country is determined by the amount of assets or capital stored by a country, and the volume of global trade is very important. Economic assets or state capital can be described in real terms with the amount of capital (valuable minerals, especially gold and other commodities) owned by the state and this capital can be enlarged by increasing exports and preventing (as much as possible) imports so that the trade balance with other countries will always be positive .

Mercantilism teaches that a country's government must achieve this goal by protecting its economy, by encouraging exports and reducing imports (Ardiprawiro, 2014). Mercantilism emphasizes that international trade aims to strengthen the country. Until the 18th century, the theory of mercantilism was used as a reaction to the development of Islam in the 18th century where Islamic countries conducted international trade based on mutual benefits, so that the monopoly system was often used in the theory of mercantilism and mercantilism was used as a tool to defeat Muslims by strengthening the state through military power and economic power. However, currently mercantilism is more used as a principle of mutual benefit due to changes in the pattern of the trading system in the present. Countries focus more on good relations with other countries in conducting international trade.

This theory relate to this research because the every countries have their own way to accumulate wealth and power in order to protect people who lives inside their countries. Another argument that support this theory is because most of the countries in the world have 2 main type of power which are Hard Power and Soft Power. Hard power relate to tangible military and economic assets meaning that Economic as a core of a country can bring a lot of impact to maintain the live of a country. Without any hesitation, Mercantilism will explain more about a big role played by a country how the country resource is should be allocated. Furthermore, country also have to be aware of Positive balance of Trade which means to focusing more on Export rather than Import and Economic policy as a weapon of dominance and security to compete.

Robert Looney in one of his journal written about China's dominant market share which contributed on some of the factors which in line with the accumulation of ore deposit, large foreign

exchange reserves, especially in dollar-denominated assets. Also noted is the large amount of foreign direct investment (FDI) going into China that rivals FDI into the U.S.A (Looney, 2011). China also using a mercantilist tool to force foreign companies to have more production on sophisticated electronics product and making the country more focus on production chain.

Stated from a journal written by Keith Rankin which explained about mercantilist practiced and the practice of mercantilist widely known as investment. The Netherlands, France and Great Britain invested widely throughout the world in previous centuries. In that era, compared to the present, a greater proportion of those financial outflows were genuine economic investments, which facilitated growth in many but by no means all recipient countries (Rankin, 2011).

Some of the advantage to use a mercantilist strategy is that mercantilist can develop a supply-side of emerging economic, the country can facilitate a larger global market, produces economic of scale, and helps to build up skills and productivity (Collignon, 2015). Furthermore, he added that if a country wants to succeed in long term growth by using mercantilist theory, that country must maintain stability and a competitive exchange rate level with minimal volatility relative to a large potential market.

Those 3 literatures have mentioned the use of mercantilist theory as a way to develop the economic strategy designed by a country. The strategy must be needed in order to avoid or prevent the effect of trade war. This journal will be valuable consider to the lack of explanation about the strategy taken by the ASEAN countries specifically Indonesia and Vietnam.

The Escalation of Trade War and Economic Situation of Indonesia and Vietnam

The tension between US-China legally to be escalated on March 23, 2018 at the date when the president of the US sign the “Presidential Memorandum Targeting China’s Economic Aggression” and US introducing the tariff impose to a certain products such as Steel and Aluminum. This act believed to be taken as a reflection of a deficit gained by the US amounting US\$ 796 billion in 2017 and China contributed for 47% of that deficit amounting US\$376 billion(A.O. Vinogradov, A.I. Salitsky, 2019). However, the tension has been waving up since 2017 when the US adopted the policy from National Security Strategy in 2017 to restrict the investment of China in US’s technology, strictly monitoring the exports control of China and listing a product that should have not been shipped to china mostly a “dual-use” products (S.I. Dolgov, 2018). China in return, reducing the US export to China approximately to 21%(S.I. Dolgov, 2018). Terence Tai-leung Chong and Xiaoyang Li in one of their journal wrote about the Economic Impact that can be indicated as the Trade War effect, they truly believe that the Impact of Trade War could affect the top 5 China’s trading partner which are The EU, ASEAN countries, Korea, Japan, and Chinese Taiwan with the total trade value amounting to US\$ 244.9 (Chong & Li, 2019). Specifically, they also mentioned that there would be the decreases of the export caused by the reduction of China Import activity for some countries like Taiwan and Korea amounting to 0.6 and 0.25% of their GDP.

Table 1. Vietnam's economic performance 2017

No.	Indicator	2017
1.	GDP growth	6,81%
2.	<i>Income per capita</i>	US\$2.385
3.	Inflation (<i>core inflation</i>)	1,41%
4.	Export value	US\$213,77 billion
5.	Import value	US\$211,10 billion
6.	FDI	US\$35,88 billion

Source: (KBRI Hanoi, 2018)

Meanwhile, Vietnam started 2017 with a positive outputs. In the first quarter of 2017 Vietnam's GDP grew 5.15% and the second quarter grew 6.28%. According to the Vietnam General Statistics Office/GSO, Vietnam's Gross Domestic Product (GDP) in 2017 has grown by 6.81%, exceeding the target set at 6.7%. Vietnam's largest trading partner country is China with total trade of US\$93.8 billion while the total trade between Vietnam-US is US\$50.5 billion. Vietnam was also one of the US trading partners who get a surplus in 2017 and Vietnam's main export commodities in 2017 were: telephones, cellular phones and their spare parts; Textiles and garments; Computers, electrical equipment and components; Footwear; Industrial machinery and equipment. Vietnam's export value reached US\$264 billion in 2019, up 8.40% compared to 2018 valued at US \$ 243.69 billion.

In the investment sector, in 2017, the commitment to foreign direct investment (FDI) in Vietnam has reached US\$ 35.88 billion, China invested US \$ 2.16 billion while the investment value of the US reached US \$ 868.76 million. Vietnam also made a medium-term public investment plan, the government sets targets by effectively and efficiently using investment capital sources to develop the economy and basic infrastructure for the implementation of the Socio-Economic Development Strategy (SEDS) during 2011 - 2020 and during 2016 - 2020. Total social investment capital for the period 2016 - 2020 is estimated at US \$ 408 - 345 billion, equivalent to 32 - 34% of GDP.

Table 2. Indonesia's economic performance 2017

No.	Indicator	2017
1.	GDP growth	5,07%
2.	<i>Income per capita</i>	US\$3.876,8.
3.	Inflation (<i>core inflation</i>)	3,61%
4.	Export	US\$168,83 billion
5.	Import	US\$156,893 billion
6.	FDI	Rp 430,5 trillion

Source: (KBRI Hanoi, 2017)

The highest export growth was achieved by China, while the largest contribution of value was contributed by countries in the ASEAN region. In 2017, China's investment in Indonesia reached US \$ 3.36 billion, which was ranked as the third largest country to invest in Indonesia after Singapore and Japan. Meanwhile, the US's was none on the list of 5 biggest country to invest in Indonesia.

Table 3. Indonesia's export value comparison

2018	2019
USD\$180.06 Billion	USD\$167,53

Source: (BPS Indonesia, 2017)

Indonesia's export figures throughout 2018 managed to gain success in increasing their exports throughout the year. Badan Pusat Statistik (BPS) Indonesia released the cumulative export value of Indonesia, the export value for the January-December period in 2018 rose 6.65% to US\$180.06 billion from the previous year.

The decline in Indonesian exports in 2019 was a serious blow for Indonesia. Although this is also helped by the decline in import activities carried out by Indonesia, the government must improve in the following year. The decline in Indonesian exports in 2019 was due to the implementation of the threats that occurred due to the trade war, the implementation began with an increase in tariffs starting in June 2019. Indonesia is still helped by the relationship that has been established between Indonesia and other countries through Free Trade Agreements (FTA), Bilateral Cooperation and Multilateral Cooperation. Indonesia as a Muslim-majority country has succeeded in attracting the interest of countries that are members of the Organization of Islamic Cooperation (OIC) to increase Indonesia's leading export commodity, namely palm oil (Sunardi et al., 2018). But, some of the strategies must be taken toward this.

Vietnam strategies

Above, the writer have explained the context of economical view from Indonesia and Vietnam in early stage of trade war before the escalation and some comparison of economic situation between early stage of trade war and when the trade war tension escalated. In the following discussion the writer will point out 3 softpower strategies applied by the Vietnamese government in order to accumulate power and interest for the benefit of the state. This is to strengthen writer's argument on the importance of Mercantilism perspective to understand the topic of China-US trade war.

The first strategy which has been used by the Vietnamese government is Economic restructuring through economic liberalization that focuses on increasing the effectiveness of distribution and use of development resources, undertaking a more logical and dynamic structuring with higher productivity, increasing competitiveness, greater growth potential and ensuring

sustainable growth. Muthukumara Mani and Shreyasi Jha in one of their journal related to Trade Liberalization and the Environment in Vietnam stated that Vietnam's integration with the international economy has increased significantly over the past decade, aided by substantial liberalization of trade, and appears set to increase further as trade-expanding measures take full effect (Muthukumara & Shreyasi, 2014).

Increasing economic cooperation through trade liberalization and reflecting to Vietnam's Socio-Economic Development Strategy (SEDS) on restructuring their economic condition and strengthen the economic cooperation must be highly appreciated since the country managed to expand more tighten relationship between countries they cooperated with. At this stage, Vietnam has succeeded in increasing international economic integration by signing a number of Free Trade Agreements (FTA), including with the Eurasian Economic Union, Eurasian Union, European Union, South Korea, Trans-Pacific Partnership (TPP), ASEAN, China as Vietnam's largest trading partner and most importantly United States-Vietnam's Bilateral Trade Agreement (USBTA).

Until 2020, it is estimated that Vietnam will be able to strengthen its role and commitment in ASEAN and the WTO, and be involved in various new free trade agreements (FTA). In terms of the FTA, Vietnam is considered to be moving faster than Indonesia because it already has an FTA with almost all world economic powers and is a member of the origin of the TPP. Therefore, Vietnam seeks to take advantage of international commitments to expand markets, increase economic competitiveness and independence, and improve its position in regional and global production and supply chains.

This According to writer's research, the second strategy is creating a route of goods this showed that in 2018, productions orders of goods from China companies were transferred to Vietnam as a way to avoid the higher tariff caused by the US policy (Tuan Ho, Trang Thi Ngoc Nguyen, 2018). Higher tariff imposed by The US as a result of trade war with China has altered patterns of world trade. Using a trade country as a bypass would be one of the best option for the Exporters including China.

David Laborde and Valeria Pineiro reported that there would be an escalation of tariffs and reprisal that could increase the prices of some imports for China and US consumer and creates the replacement either to China and US imports on reciprocal markets. It could affect the products which are imported only covers some consumer because of it only for specific products, the distribution channel, the ability to supply the necessary quantity of product (Laborde & Piñero, 2020).

Vietnam took it as an advantage consider to government focus on economic restructure that focuses on increasing the effectiveness of the distribution and use of development resources, through a more logical and dynamic economic structuring with higher productivity, higher competitiveness, greater growth potential and ensuring sustainable, clean and green growth.

Table 4. Vietnam economic performance 2018

No.	Indicator	2017	2018
1.	GDP growth	6,81%	7,08%
2.	Income per capita	US\$2.385	US\$2.540 (estimated)
3.	Inflation	3,52%	3,80%
4.	Export	US\$213,77 billion	US\$244,72 billion
5.	Import	US\$211,10 billion	US\$237,51 billion
6.	FDI	US\$35,88 billion	US\$35,46 billion

Vietnam is experiencing problems because of the amount of Foreign Direct Investment FDI entering their country reduced. As the table 4 explained in 2018, the commitment to FDI in Vietnam reached US \$ 35.46 billion, equivalent to 98.8% of the 2017 figure. This showed that the escalation of trade war tension has affected the number of Investment coming to Vietnam because of the world economic recovery which is still slowing down and the decline in global commodity prices which could cause a decline in export growth, especially exports from foreign investment companies.

That number actually relative stable consider to the world's situation caused by the Trade War. Many countries have established an emergency status in order to maintain the sustainability of the country. But, Vietnam still successfully gained 3,046 of new licensed FDI project valued at US \$ 18 billion (KBRI Hanoi, 2018) in 2018. Vietnam also managed to gain some successful achievement especially Exports in the FDI sector (including crude oil) in 2018 reached US \$ 175.5 billion, increase 13% compared to 2017, and the import value reached US\$142.7 billion, an increase of 12% compare to 2017. Even, Vietnam gained FDI trade surplus valued at US\$32.80 billion.

So, what makes Vietnam able to attract foreign investor to come to their country while the world economy is being shocked by the trade war that is happening between the US and China? When the world economic recovery is still slowing and crude oil prices are unstable which will affect the state budget balance and investment for economic development, as well as the decline in global commodity prices which can cause a decline in export growth, especially exports from foreign investment companies.

The last strategies taken by Vietnam government is to attract the foreign investor. The escalation of trade war has affected many countries in investment sector. FDI flows were low in 2018 caused by repatriation of capital back to US by the US foreign subsidiaries following US tax reform in 2017 (Loewendahl, 2018). The seriousness of the Vietnamese government. Vietnam's Socio-Economic Development Strategy (SEDS) 2011 - 2020 has been designed by the Vietnamese government by Prime Minister Nguyen Tan Dung on April 12, 2012 that Vietnam will be paying attention to structural reforms, environmental sustainability, social justice and issues arising from macroeconomic stability (Tan, 2020). It is defined by three breakthrough areas: (i) enhancing

human resource / skills development (especially skills for modern industry and innovation); (ii) reforming market institutions, and (iii) infrastructure development (Socialist Republic of Vietnam Government Portal, 2016).

Vietnam's economic growth can be sustained because it is supported by increased direct investment and exports, domestic credit growth, improvements in agriculture and accelerated state capital expenditures for infrastructure development. The export sector will play an important role by taking advantage of the momentum of the various Free Trade Agreements (FTA) that Viet Nam has and will have.

In addition to these three breakthrough areas, related to the 2011-2020 SEDS focuses on the areas of restructuring - the banking sector, public investment and state-owned enterprises, which are necessary to do as a way to create openness or transparency as a way to attract foreign investors to provide comfort for them while carrying out economic activities in Vietnam is also an important part of the Vietnamese government's focus.

Table 5. China Investment rate to Vietnam

No	2017	2018	2019
1.	US\$2,16 billion	US\$1,81 billion	US\$4,06 billion

Source: (KBRI Hanoi, 2018)

The amount of Investment might be reducing in 2018. However, an impressive increase was shown again in 2019. Table 5 showed that the Vietnamese government has again improved their economic performance in attracting Chinese interest to invest in Vietnam reaching US\$4, 06 billion or more than 100% compare to 2018. In fact, in the investment sector, according to a source from the Ministry of Planning and Investment of Vietnam, the commitment to Foreign Direct Investment in Vietnam in 2019 reached US \$ 38.12 billion, according to a source from the Ministry of Planning and Investment of Vietnam, the commitment to foreign direct investment (FDI) in Vietnam in 2019 reached US \$ 38.12 billion, an increase of 7.20% compared to 2018 which was recorded at US \$ 35.46 billion and there were 125 countries (countries and territories) invest in Vietnam.

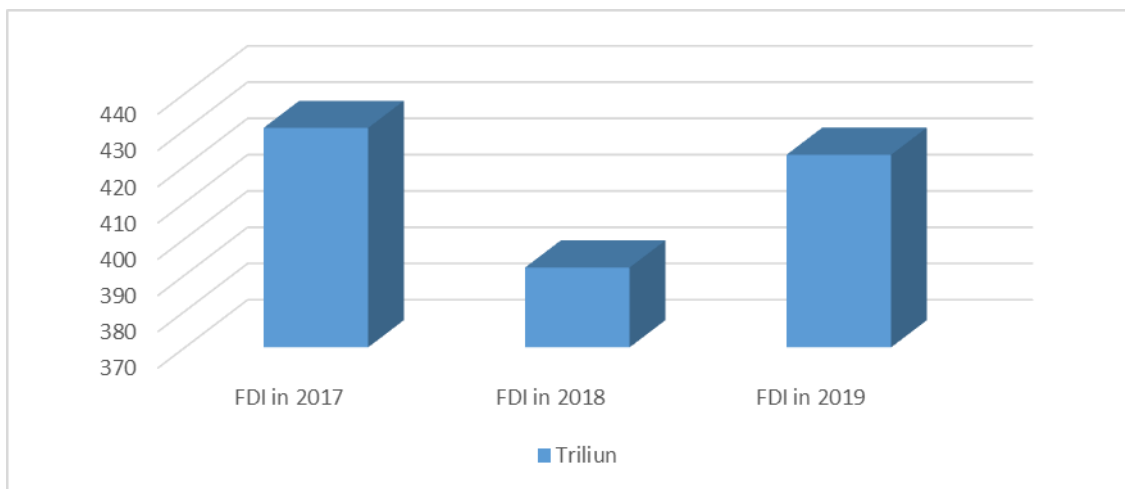
In the middle of the high tension between US and China, once again Vietnam has succeeded in improving their economic ties with the US. Increasing total trade between the two countries brought Vietnam to an advantageous position by gaining a surplus. Specifically for trade in Vietnam-US experienced an increase of 25.60% compared to the same period in 2018 valued at US \$ 60,277 billion as a result of the trade war between the US-China. The increase in economic activity has an impact on increasing Vietnam's exports, where the US is Vietnam's largest export destination country throughout 2019(KBRI Hanoi, 2018).

In one hand, this might be a great situation to deal with, the Surplus could be a great momentum for Vietnam to keep growing more and more. But in other hand, the deficit of trade with China that in 2019 rose to almost reaching US\$10 billion should be the main focus of Vietnam. Vietnam relies to China in many terms, US might see it as a threat since the rerouting of goods done by China as Vietnam become one of the route that passed by. At the highest risk, there would be a possibility that Vietnam could be labeled as a currency manipulator because its trade surplus (Khanh, 2019). It can be seen that the effort of Vietnamese government in order to accumulate the wealth of the state and when the wealth accumulated, the country can be easily compose or make a strategy through the resource that the country have.

Indonesia Strategies

In an early stage of Trade War, Indonesia’s economic situation was still in the positive position. This argument supported by the economic growth of Indonesia in 2018 that still growing stronger at the rate 5, 17%. This number was increase compare to the previous year which was 2017 amounting 1% of growth. Indonesia didn’t seem to feel bothered with the escalation of the tension between US-China as the country was keep promising alongside 2018.

Figure 1. Indonesia FDI value



Source: (BPS Indonesia, 2019)

Meanwhile in the investment side, 2018 was a tough year for Indonesia to attract foreign investor to come to Indonesia, Even though from the investment side, the government estimated that Investment will grow steadily at 5%. This optimism was in line with the development of infrastructure programs and the improvement of the business climate which the government will set forth in a series of policy packages. But, shown by the chart that there was a reduction in Foreign Investment to Indonesia approximately to IDR 28 trillion in 2018. World’s depression caused by US policy to China impacted to the reduction of the number of foreign investor to invest to Indonesia

(Anthony, 2019). As a result, Indonesian government under the President Joko Widodo applied some method in order to solve the problem at this sector. First strategy taken by the Indonesian government to overcome this problem is infrastructure development because it plays an important and strategic role in moving the wheels of the economy. The pace and economic growth of a country cannot be separated from the availability of infrastructure such as roads, transportation, telecommunications, sanitation and energy. This strategy will increase the distribution rate which is not only aimed at the mobility of investors for economic activities in Indonesia but also to increase the distribution of Indonesian local products which will have a major impact on widening business actors to be active and participate in export activities. Even during its development process, Indonesia was able to attract assistance from Saudi Arabia because of their close relationship which is established through bilateral relations that occur because of their closeness in religion. Indonesia as a country with a majority of Muslims has succeeded in attracting funding assistance of USD \$ 1 billion or Rp13 trillion from the Saudi Fund Development for infrastructure development, drinking water and housing (Hidayat, 2017).

The second strategy was commercial diplomacy that took place between the US and Indonesia began from a visit in July 2018. The Indonesian delegation, represented directly by Enggartiasto Lukita, who was the Indonesian Minister of Trade, met with Secretary of Commerce Wilbur Ross to discuss opportunities for cooperation between Indonesia and the US. At the meeting, the two sides agreed on export-import cooperation. Indonesia will export garments and textiles to the US, while the US will ship cotton to Indonesia (Kumparan, 2018). This trade mission also involved representatives of textile entrepreneurs from both countries, namely the Indonesian Textile Association (API) and the American Apparel & Footwear Association (AAFA). Thus, there will be a stable and consistent trade that benefits both parties amidst this trade war issue.

The next commercial diplomacy was a trade mission to the United States on January 14-18 2019 (KEMLU RI, 2018). This activity was a follow-up to the trade mission in July 2018, namely improving trade relations, investment and market access. At this meeting, Trade Minister Enggartiasto Lukita met representatives of the US Trade Representative, the US Chamber of Commerce, the Governor of Nebraska, and a member of the US congress. The Ministry of State is in charge of lobbying and communicating with the US delegation, and the Ministry of Commerce is the main executor of this agreement. The results of the government's commercial diplomacy bear fruit in the form of a trade contract agreement between Indonesian and US entrepreneurs.

The next commercial diplomacy activity was when the Indonesian Consulate General in New York held an event entitled Business Forum on Trade, Tourism, and Investment: A Global Value Chain Perspective at the Intercontinental Times Square Hotel, New York on November 18, 2019. This event was attended by around 150 businessmen and investors from the US. This event is a follow-up to President Joko Widodo's mandate to encourage investment in the manufacturing sector. At the event, the government coordinated with the Indonesian Embassy to identify a number of products for increased trade, including textiles and textile products, rubber products, furniture, and electronic machines. Deputy Minister of Trade, Jerry Sambuaga, who was also the speaker at the

event, also explained to the audience regarding the Indonesia-US trade policy to increase exports through the global value chain, simplification of procedures, logistics efficiency, to economic diplomacy and market development to attract investors from the US (Zarkaysi, 2018).

Indonesian government through Ministry of Foreign Affair created many activities to promote Indonesia economic in order to attract Foreign Investor from US this strategy proved to work to improve the Indonesian textile industry in the midst of the US-China trade war which can be said to be quite challenging. Making pro-domestic textile industry policies such as making regulations on anti-dumping import duties (BMAD) and temporary safety measures (BMPTS) for several imported products, modernizing machines to increase domestic production, improving the quality of human resources, facilitating domestic textile entrepreneurs to take part in activities organized by the Indonesian Embassy and the Consulate General (Zarkaysi, 2018).

Impact of Trade War to Indonesia as Muslim majority country and Vietnam

The implication for the world economy is that the trade war will cause the volume of world trade to slow down and this is not expected because it will affect all countries. The movement of the global index has become more fluctuating, this indicates that the trade war has increased global uncertainty and has an impact on reducing investor optimism for the future of the economy. The capital market itself describes the economic conditions of a country, the economy of a country is closely related to the economic conditions of its trading partner countries, so that changes in the economy in trading partners will have an effect either directly or indirectly on the economic conditions of the country.

The value of Indonesia's exports and imports to the United States and China in 2018 was fluctuating every month. Although the main destinations for Indonesian exports and imports are not the two countries, the relationship between them affects the economy in Indonesia. According to data from the Badan Pusat Statistik (BPS), Indonesia's trade balance in April 2018 recorded a large deficit, reaching USD\$1.63 billion (Putri & Suhadak, 2019). Experiencing a significant increase in imports, this deficit occurred due to falling exports. On a monthly basis, Indonesia's exports to several main destination countries, especially China and the United States, experienced a decline in Indonesia's exports to China. The threat of a trade war between the United States and China is a warning to Indonesia not to rely on export markets to traditional markets.

Meanwhile, Trade war has been impacting Vietnam's export positively. This impact followed by the increasing of the main export goods of Vietnam to US and China. According to data from US International Trade Commission, Vietnam export on mobile phone from the first 4 months of 2019 has doubled compare to the previous year in 2018 with the same period and computer export increased 79% the same period (Richter, 2019). The increase also showed in other sectors such as textiles, furniture, garment and dried fish. Overall, Vietnam's export to US has increased significantly to 27% in the first six months of 2019. In contrast, Vietnam's Export to china only grew

0.3% on the same period. It can be seen that Vietnam can manage the negative impact and turn it into positive impact, Vietnam stands to benefit from the trade war because most of Chinese goods which are affected by tariff from US are consumed and produced in Vietnam (Phuc & Nguyen, 2019).

Conclusion

According to this research, which in line with Mercantilist perspective, that both Indonesia and Vietnam applied different strategies in order to attract foreign investment from China and US as a result of trade war among them. For instance, Vietnam carried out economic liberalization as regulated in the Vietnamese Socio-Economic Development Strategy (SEDS) in order to enhance international cooperation, including bilateral and multilateral cooperation. Then make them a third country for the distribution of goods coming from China and then sent to the USA to avoid the impose tariff policy carried out by the US, then attract foreign investors by restructuring - the banking sector, public investment and state-owned enterprises, which are necessary to do as a way to create openness or transparency.

Meanwhile, Indonesia undertakes infrastructure development because it plays an important and strategic role in moving the wheels of the economy with the aim of increasing the mobility of the domestic economy which will later be useful for accelerating distribution. As well as the important role taken by the Ministry of Foreign Affairs and also the Ministry of Trade to improve the Indonesian textile industry and increase Indonesia's-US Export and Import activities in the midst of the Trade War in accordance with President Joko Widodo's mandate to increase manufacturing activities in Indonesia. Thus, the finding shows the importance roles of government in development and ensure prosperity of the people.

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