

Andalas Discussion on International Studies: Multidimensional Issues and Approaches



**Edited by
Sofia Trisni & Ardila Putri**

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Andalas Institute of International Studies

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PREFACE

Andalas Discussion on International Studies: Multidimensional Issues and Approaches

International relations studies have been developing in terms of issues and perspectives. Nevertheless, its scientific roots which were born out of a desire to prevent war and create peace still remain the spirit of the studies. Besides discussing war and conflict, international relations studies also talk about various issues related to global finance, humanitarian assistance, tourism, diaspora and other non-traditional security issues. These various issues also frame the discussion in international relations today, including other aspects that have contributed to discourse related to this field.

Nowadays, discussion about conflicts still attracts people's concern. From the early stage of human history until the creation of the modern state system, conflict is still an important issue to analyze because of the intensity of its events that continues to exist. The analysis of threats, remains an important topic to be discussed, while the existence of China as a country that is considered a rising power in international politics is the hottest discourse to talk about. In addition, problems in the Middle East that have not yet found a way out have resulted in various analysis regarding the most appropriate solution to resolve conflicts in the region.

This book is a collection of various issues in international relations studies. The authors analyze them using many different methods. As stated by Hariyadi Wirawan in the book of *Reflection on International Relations Theory from Traditional to Contemporary Issues*, international relations is a complex object to be analyzed using only one perspective. Inspired by this statement, this book seeks to show diversity in the study of cross-border relations. Through this diversity, we hope that readers can have wide perspective in analyzing the issue of international relations. Thus, it can be seen as the studies which are able to answer various modern problems. Furthermore, this book is suitable for international relations scholars, both for practitioners and academics, who are interested in getting various insights on how international relations studies analyzing various phenomena. This book is written by lecturers of international relations department based on their area of expertise.

In the first chapter, this book presents the phenomenon of countries surviving from the effects of global crisis amid the fall of major powers. The author, Sofia Trisni, presents the global financial crisis phenomenon that hit the world in 2007 and how a country like China was able to survive from this crisis. Globalization brings close relations between one country and another and the intensity of this relationship provides an opportunity for all banks in the world to connect with each other. Therefore, the crisis that struck one country in a moment can spread to other countries. Remarkably, China managed to survive this crisis, even though the United States as the major cause of the crisis is one of China's biggest trading partners. This chapter shows data on the Chinese economy in the initial quarter of the crisis and also China's ability to withstand the crisis. By using literature study, Trisni argues that there are various factors that help China in surviving the crisis, including the period of crisis that occurred right after China made improvements to its banks. There are various other factors outlined by bringing up some supporting facts. This paper provides an illustration of how globalization has increased world connections in such a way that crisis originating from one country can spread to various countries and turn a local crisis into a global one. Nevertheless, the country can still survive the crisis as China has shown.

The author of the second chapter is Anita Afriani Sinulingga with a writing titled International Humanitarian Aid and State Policy. It describes the state's dilemma in receiving humanitarian assistance because of political motives that are often superimposed through the process. This chapter analyzes the phenomenon of providing humanitarian assistance by using the concept of state behavior and social capital in disaster management. This concept provides an overview of the usual role played by the state in relation to disasters and dimensions in social capital. In this chapter, Sinulingga argues that providing humanitarian assistance is a difficult phenomenon to avoid today, thus, it requires a rapid response from the state by issuing disaster management policies that will protect the country from political purposes "entrusted" in humanitarian assistance. This study illustrates that the issue in international relations today has evolved towards non-traditional issues.

The third chapter is collaboration of two authors, Haiyyu Darman Moenir and Abdul Halim, titled The Implementation of the ASEAN Tourism Strategic Plan (ATSP) in Indonesia's Marine Tourism Policy. This chapter discusses how the ASEAN strategic plan related to tourism

is implemented through Indonesia's marine tourism policy, considering that President Jokowi himself has a strong attention on the maritime potential of Indonesia. This chapter finds that there are several Indonesian marine tourism policies plans that have been prepared by ASEAN. This paper enriches perspectives in international studies by presenting how tourism issues can be discussed within international relations framework.

In the fourth chapter, Rika Isnarti presents a discussion of a threat by using the concept of political threats rooted in the securitization theory of the Copenhagen School. This chapter begins by describing the understanding of threats explained by the mainstream theory of Realism, before explaining this shift in understanding through definitions offered by the Copenhagen School. This paper provides another perspective on why threats can arise. Isnarti argues that a threat is created through a social construction. It is related to how actors examine particular issue and digest it based on the understanding they have gained in their social life.

The fifth chapter titled Overview of Indonesian Students in Taiwan and Indonesia - Taiwan Cooperation on Education looks at the phenomenon of citizens diplomacy in relation to foreign governments. The author, Ardila Putri, presents actions initiated by Indonesian students who are studying in Taiwan, related to the educational activities they are currently undertaking. The article begins with an explanation of the agreements that have been held by Indonesia and Taiwan, and how these agreements were implemented. As the result, the Taiwanese government has succeeded in increasing the number of Indonesian students studying in Taiwan.

The following chapter presents a discussion on China titled Central Asia Security Implications to Xinjiang. The author, Inda Mustika Permata, argues that there are complex security problems in central Asia, thus, this chapter uses the concept of security complex in analyzing various security phenomena occurring in the region. This chapter focuses on Xinjiang, a region which is geographically and juridically part of China, but has sought to become an independent country. Given the enormous potential possessed by Xinjiang, China seeks to continue maintaining sovereignty over the region by securitizing several activities that take place in Xinjiang. It is interesting to see the efforts of a large socialist country like China in maintaining its sovereignty.

The following writing takes the readers to the Middle East, where the conflict is still happening. With the title *Is Participation of Israeli Women in the Peace Process Potentially Solving the War Between Israel and Palestine?*, Maryam Jamilah tried to question whether the involvement of women in the peace process between Israel and Palestine could produce more positive results. By looking at philosophical theories which suggest two contradictory matters regarding women involvement in the peace process, Jamilah invites us to analyze possibilities that can be generated through the involvement of women. At the end of her analysis, Jamilah argues that women involvement in the peace process is indeed very potential to help achieving peace between Israel and Palestine.

The book closes with an article titled *Civil Society, Global Governance, and Political Representation* by Rifki Dermawan. In this chapter, Dermawan tries to raise the discussion about the power of civil societies as their participation in global governance increases. This phenomenon of globalization which we cannot avoid has become a medium that provides an opportunity for civil societies to make contribution at the global level. Unfortunately, political participation is still challenging for them. Dermawan presents various ideas and frameworks used in civil society to understand political participation. In this chapter, the readers will get new insights related to civil society, global governance and political participation in globalization era.

As stated at the beginning of this Preface, this book presents the diversity of issues and perspectives in international relations studies. We hope that the readers will have broad views on international relations which are not merely discussing war and peace. We are fully aware that the book is far from perfect, therefore, we are open to criticism and suggestions for future improvement. We are waiting for feedback from the readers via email to our publisher. Happy reading.

Padang, October 2019

Editors,

Sofia Trisni and Ardila Putri

HOW DID CHINA RESILIENCE THE GLOBAL FINANCIAL CRISIS?

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Abstract

The Global Financial crisis that hit the world in 2007 affected many big countries in the world. Amazingly, China able to manage itself to spare from the enormous effect of this financial crisis. Consider the globalization that connects one country to another, China resilience to this crisis is an outstanding phenomenon. This article tries to discuss China's formula to survive the crisis. This article found some factors of the resilience such as; China's large population and people saving the culture, its diversified economy, the timing of the crisis, government's appropriate policy and China's strategic geography. All factors were the supporting condition for China to overcome the crisis

Keywords

Global Financial Crisis; China; Resilience

INTRODUCTION

The Global Financial Crisis (GFC) began in mid-2007 as a result of the sub-prime mortgage crisis in the United States, which spread to the rest of the world in 2008 resulting in a significant downturn in the world's economic growth from 3.1 % in 2008 to -1.4 % in 2009 (Mah-Hui and L. Chin, 2010). Although mainly starting in the West, the crisis affected the global economy greatly, since the Western countries affected were the major wheels of world economic growth. Moreover, in the era of globalization banks are heavily linked to one another, resulting in the crisis spreading easily (Mah-Hui and L. Chin, 2010), where banks in China also inevitable to this phenomenon.

China's recent history is a story of amazing growth, with an average GDP growth rate of 10 percent in the last two decades (Sullivan, 2013) however, it was also affected by this crisis. But even though Chinese economic growth experienced quite a significant decline from 11.4 percent growth in 2007 to 9.1 percent in 2009, it managed to control its economy from further decline; it even managed to take over Japan's position as world second largest economy in 2010 (Sullivan, 2013).

This article aims to study China's policy in order to survive from the GFC. For that reason, this article divided into two parts. The first part examines China's economic situation before the GFC and performance during the GFC. While the second part analyses how China fared so well through the GFC; it looks into government policy and looks into China's Geo-economic position. It is the contention of this article that China resilience the GFC because of the appropriate and quick economic stimulus package from the central government and

because of China's Geo-economic position that lies within the growth area of East Asia and its government intelligence to utilize this situation. However, China will still have to adjust its economic policies for future economic sustainability.

ECONOMIC SITUATION BEFORE AND DURING THE GFC

China's recent economic growth has been amazing, with it maintain double-digit for six years in a row since 2003 (Morisson , 2012) until the third quarter of 2008. During this period, China was able to maintain impressive growth figures. A remarkable achievement; within 2007 China replacing the United States (US) as the world's second largest merchandise exporter after the European Union (EU), with China's net exports as a one-third source of its GDP (Morisson , 2009). This achievement has increased the significance of exports to China's GDP.

Overall, China's economy relies heavily on trade and foreign direct investment (FDI) (Liu, 2009). Chinese exports of goods and services in 2008 constituted 37.8 percent of its total GDP, while China received a total of US\$ 75 billion in the form of FDI, which seated it as the world's third largest receiver of FDI after the EU and US (Morrison, 2009). However, as the crisis hit, China's FDI inflow declined to US\$ 20 billion (Yongding, 2010), a significant reduction. The slowdown of demand from its trading partners had declined its exports dramatically as well as its imports (Schuller and Schuler-Zhou, 2009). One example of industries that faced a significant decline in exports in China is the steel industry which experienced as much as a 54% drop (Yongding, 2010) in regard to the decrease of demand from its trading partners.

The economic slowdown experienced by the EU, the US and Japan also had a further negative impact on China's economy as China sells nearly 50 percent of its exported goods to them (Liu, 2009); the EU, the US, and Japan's economic downturns led to a decline in demand for Chinese goods, which ultimately decreases the number of China's exports. Then, there is an indirect link that makes the EU, the US and Japan import to China's economy: through FDI. Even though China only receives 12 percent of its total FDI from them, 44 percent of its FDI comes from Hong Kong, which relies on the EU, the US, and Japan (Liu, 2009). That is why the impact of the crisis experienced by the US, EU, and Japan also influenced China's economy.

Further, the table below gives an overview of the GFC impact on China's economy:

Table of China's quarterly economic growth 2004-2009

	2004	2005	2006	2007	2008	2009
Quarter 1	9.7 %	10.5%	10.8%	11.1%	10.6%	6.1%
Quarter 2	9.7%	10.5%	11.4%	11.5%	10.1%	7.9%
Quarter 3	9.5%	10.4%	11.2%	11.5%	9.0%	
Quarter 4	9.5%	10.4%	11 %	11.5%	6.8 %	

Source: M. Yang and MH, Siam-Heng, *Global Financial Crisis and Challenges for China*, World Scientific, 2012, p.8.

This table shows that China was experiencing good growth when the crisis hit. It just reached the peak of economic growth with an average of 11.4 % in 2007 before the effect of crisis finally impacted the country's economy and slowed growth. Starting from the first quarter of 2008; China's economy experienced the downturn and reach its bottom in the first quarter of 2009 when it experienced 6.1% growth, the lowest rate of growth in the last four years.

One of the factors in the decline of China's economic growth was a significant decline in exports. China's exports begin to decline at the beginning of 2008, from 30% in March 2008 to approximately 19% in June 2009 (Yang and Siam-Heng, 2012). In line with that, some Chinese factories collapsed and increased unemployment numbers (Schmidt, 2009). As an illustration, there were 20 million migrant workers that lost their jobs during 2008, which contributed to the increasing the Chinese unemployment rate to 4.6% in 2009, the highest rate since the 1980s (Yang and Siam-Heng, 2012). Overall, China's GDP growth decreased from 9% in the third quarter of 2008 to 6.1 % in the first quarter of 2009 (Yang and Siam-Heng, 2012). These figures show that China was not resistant to the GFC as China also experienced an economic downturn.

However, there are some factors that made China fair relatively better than Western economies; that is its huge population and its relatively diversified economy. Apart from exports and FDI, Chinese economic growth also owed its success to domestic demand. Its large population and therefore consumer base is also a source of its healthy growth. When the crisis hit, its exports and FDI were affected badly.

However, its big domestic demand and fixed asset investment have helped the country to survive from a radical downturn (Yang and Siam-Heng, 2012). China's huge population have helped to maintain the high rate of domestic demand, so even though its export and FDI were disturbed, domestic demand remained an important factor of Chinese resistance to the recession.

Moreover, when the crisis struck, China just finished the examination of its banking system by "writing off non-performing loans and providing large-scale capital injections" (Yongding, 2010). Thus, China's banks were relatively healthy when the Western banking system collapsed during the crisis (Yongding, 2010). In addition, China has a high saving rate of 26 % of total disposable income; considerably higher than the saving rates of most develop economies, and its well-capitalized bank having total net cash of US\$ 272 billion, which is nearly 55% present of total net cash of all top ten companies in the world (Yang and Siam-Heng, 2012). Along with that, China's public debt declined from 30% of total GDP in 2003 to 18 % of total GDP in 2007 (Yang and Siam-Heng, 2012). So the banks still managed to work to fight the financial storm because they were in prime conditions when the crisis came.

What is more, China also has a strong fiscal record; from 2000 to 2007 its fiscal balance increased from a deficit of nearly 3% of the GDP to a surplus of 0.7% of GDP and its public debt declined from 30% of total GDP in 2003 to 18 % of total GDP in 2007 (Yang and Siam-Heng, 2012). If the GFC is assumed as a virus, the virus attacked when China's body was in its very good condition, so that the body was able to

overcome the virus. The next part of the article will examine what policies China pursued during the GFC.

HOW DID CHINA RESILIENCE?

The first part of the article has explored the Chinese economy before the GFC and the impact upon it during the GFC. This next part looks at both the policy conducted by the Chinese government to fight the GFC and provide an argument for why China's Geo-economic position and the government's intelligence were important factors that contributed to the success of China to survive during the crisis.

This article argues that the first reason for China's survival during the GFC was the quick reaction by the government to deliver the economic stimulus package due to its centrality system. When the impact of GFC affected its economy in the third quarter of 2008, the central government responded by providing a US\$586 billion stimulus on 9 November 2008 (Overhorlt, 2010). This reaction was very quick if we compare with the US; the American Recovery and Reinvestment Act was only approved by Congress in mid-February 2009 (Lardy, 2012). The political system in the U.S. to make long runs and the approval process takes longer time compared to the centrality system in China.

Further, the stimulus also took into account which sectors provide the biggest contribution to China's economic growth. The government provided stimulus to those sectors which affect the economy most, which by stimulating them, kept the economy growing. An example of this from China's huge stimulus plan is that approximately 45% of total stimulus was planned to use for transportation networks (Liu, 2009), with goals to widen its

infrastructure and support domestic consumption and job creation (Schuller and Schuler-Zhou, 2009). This area was chosen as the biggest area that received stimulus because fixed asset investment has long been the most important component of China's growth (Yongding, 2010). The International Monetary Fund (IMF) estimated that "fixed investment related to tradable goods plus net export together accounted for over 60 percent of China's GDP growth from 2001 to 2008 (up from 40 percent from 1990 to 2000)" (Morisson, 2009). This percentage was higher compare to G-7 countries (16%), the Euro area (30%) and the rest of Asia with 30 % (Morisson, 2009). Maintaining the viability of fixed asset investment, which is an important factor for China's economy, meant the government was protected the economy from further losses. Moreover, as much as 9 % was allocated in rural infrastructure to boost the rural economy (Liu, 2009). Apart from that, the government also announced 10 pillars to be the focus of the stimulus: industries such as autos, steel, shipbuilding, textiles, machinery, electronics and information, light industry (such as customer products), petrochemicals, non-ferrous metals, and logistics (Morisson, 2009).

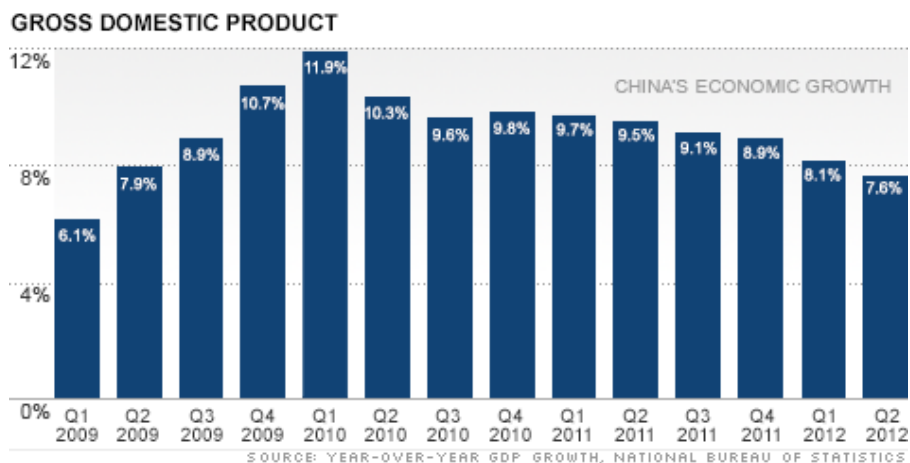
In addition, as exports are also considered as an important sector, the stimulus package program also provided a tax rebate for exporters to 15 percent of central government expenditure in order to protect its exports from significant collapse (Yongding, 2010). By that, we can conclude that with this stimulus program, the government aimed to assist the sectors which were identified as significant to China's economic growth.

Further, this stimulus was conducted by taking into account the elements that can support economic success. For example, to maintain the effectiveness of this stimulus, it was given to old state enterprises that could create job quickly and assumed could afford to pay the loan back (Overhorlt, 2010). By doing this, the government reduced the number of unemployment and also prevented itself from bankruptcy from unpaid loans. Along with that, the China Banking Regulatory Commission (CBRC) issued new regulations about easing the establishment process of companies that could provide consumer loans to private households for the purchase of consumer durable (Schuller and Schuler-Zhou, 2009). The government also appointed four major state-owned banks to increase loans to small and medium-sized enterprises (SMEs) (Schuller and Schuler-Zhou, 2009). That is, the government does not only give money but also provide easiness for companies that could reduce unemployment in the country. This strategy killed two birds with one stone, providing benefits to both the government and the people. Moreover, the government also guided the effectiveness of this program by appointing some trusted institutions to execute the package. Nevertheless, China would not have been able to provide a large stimulus package if its economy had been in a worse state. When the GFC hit, China's economy was in a prime position. This condition made the Chinese able to allocate substantial funds for the stimulus to fight the GFC. So, the stimulus package was made possible because of economic conditions that allowed for the release of large amounts of stimulus.

As a result of the stimulus package, China became the first country in the world to recover from the economic recession, an

impressive feat (Lardy, 2012). In early 2009, China's fixed asset investment enhanced as much as 32.9 percent (Yongding, 2010); state-owned and state-controlled enterprises increased as much as 40.6 percent and investment by non-state enterprises growth amounted to 23.5 percent (Schuller and Schuler-Zhou, 2009). An improvement also can be seen in industrial production where production increased 8.9 percent from 2008, while retail sales growth amounted 15.2 percent (Yongding, 2010). The table below shows China's economic growth after the GFC:

Table of China's Economic Growth 2009-2012



Source: <http://money.cnn.com/2012/07/12/news/economy/china-gdp/>

As a whole, China's economic growth in 2009 shows a gradual increase, from 6.1 percent in the first quarter of 2009 to 10.7 percent in the final quarter of 2009 which makes China's average growth in 2009 8.4 percent. This percentage is actually still lower compared to that of 2008 that was 9.1 percent, however, China's average growth in 2010 was 10.4 percent, which was higher than in 2008. Besides, economic growth per quarter, after the third quarter of 2009 recorded a rate above

8 percent, in contrast with the figures during the crisis, which were only about 6 percent.

From the data provided above, it can be concluded that China's stimulus programs managed to fight the recession. Key sectors that were affected by the recession managed to show improvement. Nevertheless, even though the stimulus package has shown its success, some experts are still in doubt whether this program could sustain China's economic growth over the long term. For example, the large amount of stimulus in the infrastructure sector may have a potential risk that it leads to a bubble in property prices that might hinder economic sustainability (Zhang, 2009). As evident, the housing prices in some coastal area have increased by 40 % on average (Zhang, 2009). Apart from that, China has to expand its private sector, otherwise, it might face an employment crisis; the recent crisis has shown that China's SMEs were vulnerable to any shock (Schuller and Schuler-Zhou,2009). Factors that influence this vulnerability are their weak export performance. A survey conducted by the Chinese Academy of Social Science (CASS) involving 70 SMEs in the coastal provinces of Jiangsu, Zhejiang, and Fujian showed that ninety percent of these SMEs experienced such a decline in orders from the US and Europe that as much as 40 percent of them decided to close their business and/or considered closing (Schuller and Schuler-Zhou,2009). This fact shows that Chinese exports are still immature and could threaten the future of China's growth.

Another factor to be considered by the Chinese government is domestic consumption. The problem of low export figures due to low demand from trading partners inevitably will require increasing

domestic consumption. The increasing household consumption at least could sustain the low number of export volume. However, the government stimulus for this sector is very limited (Zhang, 2009), so it might be said that the government tends to put less attention to this sector.

As a comparison, household consumption in China only amounts to 34 percent of its GDP, while in the US, the percentage amount of household consumption to GDP is 70 percent, Japan 58 percent, the EU 57 percent, and India 54 percent (International Economy, 2010). These figures show that China as a rapidly developing country seems to pay less attention to the country's household consumption, while this is actually an important element of long-term economic sustainability.

China should immediately solve the new problem that comes because of the impact of this stimulus; otherwise, it would be difficult for China to achieve sustainable economic growth into the future.

This section has described the Chinese government's stimulus package; its goals and its results. It can be said that China managed to survive the GFC because of the government's appropriate strategy to sustain the economy during the crisis; it chose appropriate sectors to be stimulated. The Chinese government as described above chose to stimulate the economy by financing the sectors that demand a lot of labor so that the problem of unemployment can be addressed and the public finally have funds for their consumption. China's stimulus programs focus on increasing government expenditure. This is in contrast for example to the measures taken by the US government that allocating one-third of the total stimulus to tax cuts in order to increase people's income; in China, the government cut the tax on some durable

goods, so in order to get the benefit of that tax cut, people need to buy, which mean increasing the expenditure (Lardy, 2012) allowing money to circulate and stimulate the economy. In central, the main issue is not only in the liquidating of the stimulus, but relied heavily on government strategy in choosing the appropriate sector to be stimulated.

Apart from government's quick reaction in providing stimulus to the right sectors, this article also argues that another factor that contributed to the resilience of China to the GFC is its Geo-economic location in the centre of Asia and the prudence of the Chinese government to accurately use the situation. This article argues that China benefited greatly from its Geo-economic location in the heart of Asia. This allowed the Chinese government to become the largest trading partner of the growing countries of Asia, which aided China's resilience to the GFC.

China is in a growth environment; the combination of economic growth in the nine largest economic in East Asia: China, Hong Kong, Singapore, Taiwan, Indonesia, Malaysia, Philippines, and Thailand reached 9 percent in 2007, before declining slightly to 8.5 percent in the first quarter of 2008 (ADB, 2008) which shows the rapid development of some Asian countries. Further, Asia does not only include these nine countries alone, but India also recorded significant economic progress. In 2009, India became the fourth largest economy in terms of purchasing power parity (PPP) (Lam and Wei, 2009). China is located in a growth area, a Geo-economic region supporting its economic growth.

An example of this is the corporation between China and the Association of Southeast Asian Nation (ASEAN) which includes five

of the 9 largest emerging East Asian countries economies such as Singapore, Indonesia, Malaysia, the Philippines, and Thailand. Both China and ASEAN have agreed to enhance regional economic cooperation to a higher level by implementing the ACFTA (ASEAN-China Free Trade Area).

The ACFTA agreement reflects the commitment of China and six ASEAN members including Indonesia, Malaysia, Singapore, Thailand, the Philippines, and Brunei Darussalam to enter the FTA effective from January 2010, with the less developed members: Cambodia, Laos, Myanmar, and Vietnam adhering to the agreement from 2015 onwards (Cordenilo, 2012). Starting from January 2010, ACFTA became one of the largest free trade areas in the world in term of population. It covers 1.9 billion people, with a total combined GDP amounting to US\$ 6.6 trillion and total trade amounting to \$US 4.3 trillion (Thangavelu, 2012). This agreement covers a huge number of people, enabling China to access a huge consumer base, which is important for Chinese exports.

Statistics show that when the effects of the GFC started to hit Asia in late 2008, there was an increase IN trade between China and ASEAN. This increase was likely due to China's effort to minimize the impact of the crisis brought about by declining demand in other trading partners such as the US and EU and Japan. This increasing trade was chronicled by ASEAN, the association revealed that since 2009, China has become ASEAN's largest trading partner. Trade between China and ASEAN increased by 20.9 percent from US\$ 232 billion in 2010 to US\$ 280.4 billion in 2011. Further, ASEAN's exports to China in 2011 were increased by 28.9 percent from the previous year to US\$

145.7 billion. Moreover, imports from China rose by 13.2 percent with the value of US\$ 134.7 billion. This increasing trade volume has placed ASEAN as China's third largest trading partner, increased from rank four in the previous year. On top of this, a sign of China's foreign direct investment went into ASEAN, seeing it increase as much as 117 percent, from US\$ 2.7 billion in 2010 to US\$ 5.9 billion in 2011 (ASEAN, 2013).

China is located in a growing environment so that when the GFC hit, it was relatively easy for China to find a way to diversify its trading partner in contrast if it had relied only on its traditional partners (the US, EU, and Japan) it would have fared much worse. China's efforts can be seen from its willingness to increase the volume of trade with its ASEAN counterparts, and thus the impact of the crisis could be minimized.

Apart from ASEAN, China also has close trade ties with India, the country with the second highest economic growth in Asia after China; China and India are the two largest developing countries in the world (Tian and Yu, 2012). China and India started their economic relationship in 1978 and the highest record of trade was noted in 2008 (Embassy of India, 2012). Moreover, the intensity of China – India trade relations could be seen from this figure:

Table of China – India sharing trade 1992—2009



Source: Data from IMF 2010

Source: <http://www.thkunz.com/wp-content/uploads/2011/02/china-india-trade-share-1992-20092.jpg>

The figure above shows that China has a big export to India's market. It can be seen that China has big trading volume with Asia's new emerging country as a source of power to fight the crisis. Moreover, according to India's government official website, since 2008, China is India's largest trading partner in goods, replacing the US. China and India's trade value reached US\$ 51.8 billion in 2008, and although this figure declined by 16.6 percent by the end of 2009, as a result of the GFC to US\$ 43.27 billion, the trade in 2010 reached US\$ 61.74 billion or rose as much as 43 percent compared to the previous year (Embassy of India, 2013).

As mentioned previously, China is India's largest trading partner while India is China's 15th largest trading partner. This position provides an indication that in two places, India and ASEAN as growing countries, China managed to become their number one trading partner. That is, both places with a high population are the market of China's

product or China's export's area. When the question of why China relatively strong against economic shocks in 2008 arise, one should look to how China has managed to become the number one trading partner of Asia's new emerging economies, which allow China to maintain its income from exports. Thus, strengthening the economic relations with these countries allows China to fight the crisis.

CONCLUSION

This article has identified China's effective policies during the recession and also describes the benefit of China's geographical location and its government ability to enhance China's trade.

Overall, China was experiencing a very impressive rate of economic growth when the crisis that originating from the US began to infect the global economy. As an economy reliant on exports, the decrease in demand from its major trading partners posed a threat to China's economy. Not only that, but the recession also reduced the flow of FDI into China, which is also a crucial component in China's economy. However, China has managed to become the first major economy in the world to overcome the crisis. The Chinese government's successful handling of this crisis was partly because of the agility and speed of the government for liquidating the stimulus. It can be said here that the Chinese are benefited from its highly centralized political model. But not only that, but the government also made accurate judgments in determining which sectors should be given economic stimulus. In addition, China has managed to resilience the crisis because of its huge population that allows the country to have huge domestic demand (Yang and Siam-Heng, 2012).

However, China needs to adjust its economy over the long run. The current economic systems do not seem sustainable, which require the government to adjust broader economy policy such as China's over reliance on fixed investment and export for its economic growth (Morrison, 2009).

Apart from the above prime reason, China's ability to survive the GFC is also because of the government's effort in strengthening China's economic ties with new emerging economies. China has strengthened its economic relations with some strategic countries in the region, such as the ASEAN states and India. ASEAN and India are two economies with rapid growth and China has managed to become the number one trading partner for both of them. This means that China has managed to gain a very large market share of their domestic markets, given the very huge population of ASEAN and India. China's success in becoming the main trading partners for those countries was able to boost China's economy that was shaken due to reduced demand from the US, EU, and Japan.

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