ECONOMIC RISE OF CHINA AND GEOECONOMICS OF SOUTH CHINA SEA

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Abstract:

China is the second largest economy of the world in terms of Gross Domestic Product (GDP) while the largest economy in terms of purchasing power parity (PPP). China is the largest manufacturing economy as well as the largest exporter of goods. Much of China's trade goes through sea routs; approximately 80 percent of its trade predominantly the energy resources pass through South China Sea. For its geostrategic location and abundance of resources South China Sea holds central position in foreign as well as internal affairs of China. The Theory of Geoeconomics is applied to understand China's tremendous growth at multiple fronts and the threshold of the growth predicted for setting up a stage to change the global power hierarchy. It has been analyzed that China's claims on vast portion of the South China Sea, either legal, illegal or historical are closely connected with its economic development and prosperity in broader context of geo-economics. This study employs descriptive, qualitative and analytical approach to explain the dynamics of South China Sea along with development of China grabbing much global attention.

Key Words: Economic growth, pragmatism, geo-economics, gradual model, free trade agreement

INTRODUCTION

China has a four decades long history of economic development before achieving the status of global economic power and is currently engaged at many fronts to increase its influence. However, the evolution of China to such a position is a sui genre. China has gradually witnessed a drastic growth particularly after 2001. It was the moment for the US to review its policies in the wake of China's economic rise where its link with Oceania consisted of globe's vast area located in Pacific Asia. It also includes 14 states located at Rim land and other areas adjacent to it. Since the end of the Cold War, the US decreased its influence that China has increased by multiplying investments and other trade agreements both at micro and macro levels. This change in balance of power can have a significant impact on regional as well as world politics (Henderson, Reilly & Peffer, 2003).

It is necessary to comprehend the process of Chinese economic development particularly in the context of ongoing geo-economics in South China Sea. To secure the seamless maritime trade, economic growth and future development, South China Sea played a key role in China's foreign as well as domestic policy since economic growth and China's strong hold in South China Sea are directly related to each other. To proceed further following questions would be investigated; How China took a boom in the post reforms era since 1979? Why South China Sea is significant for economic development of China? How economic development is leading China to initiate global ventures?

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China's rise has been taken differently from diverse world views; some liberals view China as a growing economic power striving for a peaceful rise with promotion of major economic initiatives while another group, mainly the realist analysts, see China's growth as a source of an emerging regional and global power imbalance which needs to be addressed. According to them, economic empowerment of China is alarming since Beijing is developing its military too by modernizing and equipping it with new technologies.

LITERATURE REVIEW

The ongoing patterns to evolve relationships with the regional countries and the level of interconnectivity is needed to be critically studied. According to Al-Rodhan (2007), who is a proponent of China's rise as a threat, claims that it is an unbelievable phenomenon that the rise of China is peaceful. According to him, once China takes its rise, it will definitely be a threat to the United States (US). Further, economic and geostrategic aspects of China's rise are still not in favour of the US. However, many ground realities at external and internal level are ignored that can be a hindrance on the way of China to get a status of great power. Further, these types of analyses are the linear projection of analogies which are imperfect and misleading thus justifying or representing Counter-China strategies.

Callahan (2005) claims that China, having fastest growing economy and largest middle class populated country, and the largest army with noticeable positions at world organizations is a unique but complex case to understand its future status. This complex case is analyzed at geostrategic, political, economic and cultural fronts. It is mandatory to employ the classical realist and constructivist theoretical frameworks to explain the rise of China in context of China's claims in South China Sea and its adjacent areas. Zhu (2012) made an appraisal of the late 1970s when China was the poorest country of the world with GDP per capita only 1/40th of the US and 1/10th of Brazil. China's speedy and sustained growth has led it to be one of the largest economies within three decades. He mentions various stages of historical growth particularly the growth performance and productivity focusing on sources of reforms and growth. He mainly focused on the process of growth brought by that changed the game of economic reforms, and ultimately economic growth is focused.

A similar analysis is put forth by Kroeber (2016) who elucidates the struggling phase of economic reforms of China. It is one of the largest economies with half of the world's coal and steel consumption and the most influential power with its neighbours in terms of its investment in countries of Southeast Asia, South Asia, West Asia, Africa, and Latin America. He explains that despite being an authoritarian Communist regime, it has a firm grip on its economic growth and initiatives. Naughton (2007) similarly elaborates the sources and historical background of modern China's economic growth since 1949 to 1978 and economic transition mainly from agricultural to the industrial economy by elaborating major and minor details and comparison of economic growth productivity and their impact on overall economy including the role of science and technology.

For the development of a country, two areas are needed to be worked upon, First, to improve the business environment by providing capital, infrastructure and a good workplace, Second, by maintaining the social capital so that individuals and businesses can work in collaboration with each other, to give the maximum productivity. In order to set the stage for growth, gradual model was adopted for reforms which were introduced in different phases at various levels. The gradual

model had profound and rapid impact on Chinese economic development and by 2007, nine times larger economy was observed than it was in 1978, placing it at fourth position after Germany, Japan and the US. In a short span of thirty years, China achieved such a level of maturity and potential to challenge the great powers and ultimately to alter the world order (Hutton, 2007).

Chow (1994) documents the Chinese economy in a pragmatic way by explaining all ups and downs especially the economic reforms and other initiatives taken to improve the economy. As a result of these reforms since 1978, China transformed itself from a centrally planned economy to an emerging global market economy with` impressive economic growth. He mentions an economic survey conducted by the World Bank that between 1952 and 1981, China's growth rate was 0.5 percent, i.e. almost a quarter of the ordinary growth rate of the other 19 developing nations. The Chinese economic growth was based on reforms made at different levels in three phases that are from late 1970s to early 1980s; from 1980s to early 1990s; and from late 1990s onwards. According to Unay (2013) since 1990s "China's re-engagement with the global political economy has shaken the global community" (p.135) and initiated a debate about the future role of China in world economy and in the global governance.

The literature about the rise of China is remarkably diverse in nature. Optimists witnessed China as an apparatus of growth in the global economy, particularly in the context of financial crisis while pessimists view China's growth against the West, particularly the US who considers China's rise as a medium to govern the global institutions.

TRANSITION FROM GEOPOLITICS TO GEO-ECONOMICS: CONCEPTUAL FRAMEWORK

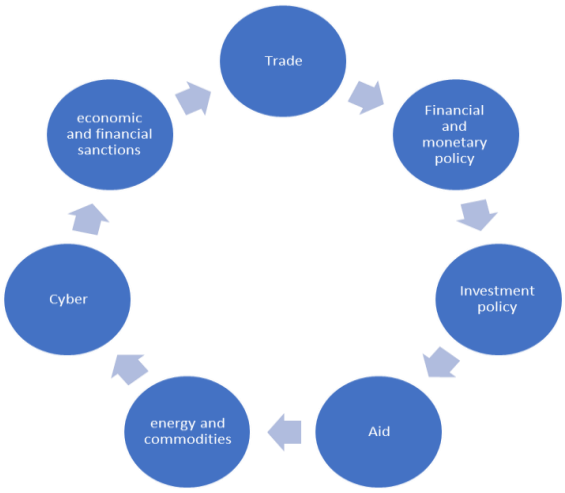
Geoeconomics is a widely used term which commonly means the use of economic resources, and commerce etc. to get the political benefits either by expanding global influence or making developments domestically. Geoeconomics as a term and concept was coined by Luttwark (1990) in an essay "From Geopolitics to Geo-Economics" where he described it as an "admixture of the logic of conflict with the methods of commerce-or as Clausewitz would have written, the logic of war in the grammar of commerce" (Luttwark 1990, p. 17).

Luttwark's observations of cold war led him to argue that "the waning of the Cold War i[was] steadily reducing the importance of military power in world affairs." He maintained that "the methods of commerce [were] displacing military methods."He explained though the methods might got changed, but still the nations have the driving role and the underlying logic (the logic of conflict) as "states are inherently inclined to strive for relative advantage against like entities on the international scene, even if only by means other than force" (Luttwark 1990, p. 17).

The concept was further clarified by the Blackwill and Harris (2016) for whom Geoeconomics, meant the use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of the other nations' economic actions on a country's geopolitical goals.

Five out of seven identified tools are economic either to be used positively or negatively. Concurrently, there are four structural features of geo-economics through which states employ the geo-economics tools efficiently. The first is the ability to control the outbound investment, while second is the capability to control the domestic market. Third feature is the capability to control the energy and commodity flows, while fourth is the global footprint of country's currency (Blackwill &

Tools of Geoeconomics, Fig. 1



Source: (Blckwell & Harris , 2016)

Harris, 2016). Innovative plans, e.g. Belt and Road Initiative (BRI), are closely connected with the seas surrounding China exclusively the South China Sea as China's whole structure of growth and trade is dependent on two things; one is supply of energy resources while second is the supply of furnished goods to other regions. China's economic success largely depends on surrounding seas and particularly the South China Sea which plays a pivotal role in China's trade i.e. approximately 42 percent of China's energy imports and manufactured goods of worth $5 trillion to other regions annually pass-through South China Sea maritime route (Fensom, 2016).

Besides the trade and energy supplies, other geostrategic dynamics are also involved in so much emphasized claims, regarding the rise and fall of the states and how sea routes play a timeless role to strengthen a country. Mahan's theory of the sea power describes, explains and finally predicts about the status of the states who possess the seas as a "highway" a "common wide." On the same basis, he predicted for the future powers and then the potential future powers even during 1880s. He elaborated the objects, implications and the purposes of the sea power in order to discuss the economic and geostrategic gains based on the sea power. He developed a dynamic relation among the sea borne trade, capital generation and the state power. According to him, "Some nations more than others, but all maritime nations more or less, depend for their prosperity upon maritime commerce, and probably, upon it more than upon any other single factor" (Mahan 1949, p.43).

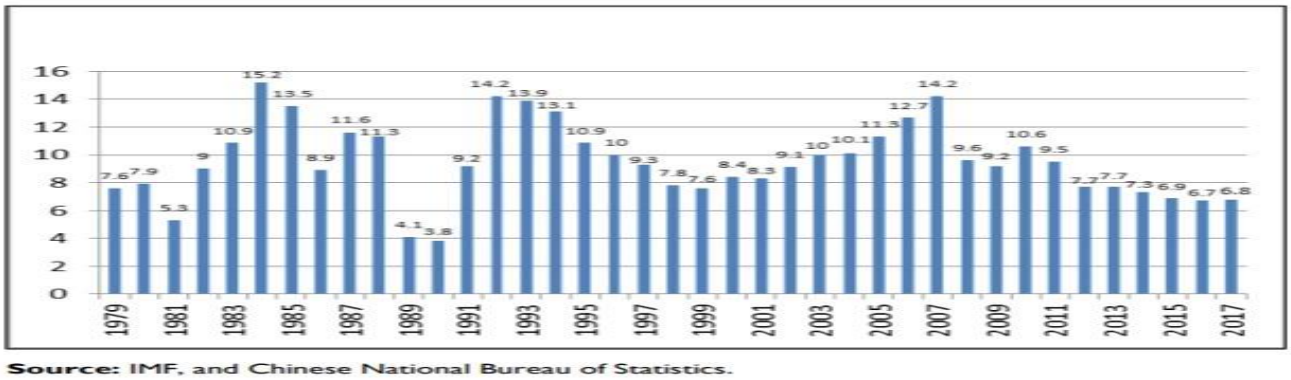
Paul Kennedy explained the concept of geoeconomics intelligently as well as how the Great Powers successfully took the position in global structure. It involves "the process of rise and fall among the Great Powers of differentials in growth rates and technological change, leading to shifts in the global economic balances, which in turn gradually impinge upon the political and military balances" (Kennedy 1989, 22). In order to depict the growing tilt from geopolitics to geo-economics Blackwill and Harris (2016) carried out six case studies, South China Sea was one of them which suggests the geoeconomics inducement are on the way, in order to get the relative advantage. China is the number one trading nation with the Association of South East Asian Nations (ASEAN) mostly by displacing the US Particularly in the wake of BRI, Beijing is working on strengthening the bilateral relations instead of multilateralism. So, China is engaging the states at bilateral as well as at

multilateral level in order to pursue its policy via promoting multilateralism at global level while bilateralism at regional level. Most exciting example of such engagement is the economic package of aid and loan to President Rodrigo Duterte of Philippines and this is the example how geoeconomics is on work, out of security dilemmas. In economic deal the Philippine was offered more than $ 9 billion for infrastructure with minimal interest rate along with economic projects of worth of $ 13.5 and in return the Philippine would put aside the ruling of Permanent Court of Arbitration on South China Sea (Blanchard, 2016).

CHINA'S RISE AND THE GEO-ECONOMICS OF SOUTH CHINA SEA

China has been named as 'World Factory' for its huge production and contribution in global manufacturing and export market. China produces and exports goods such as the electric appliances, communication equipment, medicine, machine equipment, textiles, and chemicals, etc. Many of these goods like machines equipment, containers and tractors are accounted 85 percent of the total global output (Global manufacturing, 2015). For the current status of Chinese economy and new place in emerging world order, it is necessary to investigate the historical underpinnings of economic development of China. From 1978 to 2004, China took a jump from 32nd to 2nd position amongst trading nations. Chinse foreign trade rose from $21 million in 1978 to $335 billion in 1997 and then to $1,150 billion in 2004 whereas during 1950s, China's foreign trade turnover was only $1.135 billion (Consulate General of People's Republic of China in Chicago, 2003). During 2007-8, China touched the annual economic growth rate of 14.2 percent, afterwards it started to slow down to 6.9 percent in 2017. IMF predicted that to ensure a more stable and firm state, market growth rate would continue to fall to 5.8 percent by 2022 (International Monetray Fund [IMF], 2017).

Economic Growth , Chart: 1

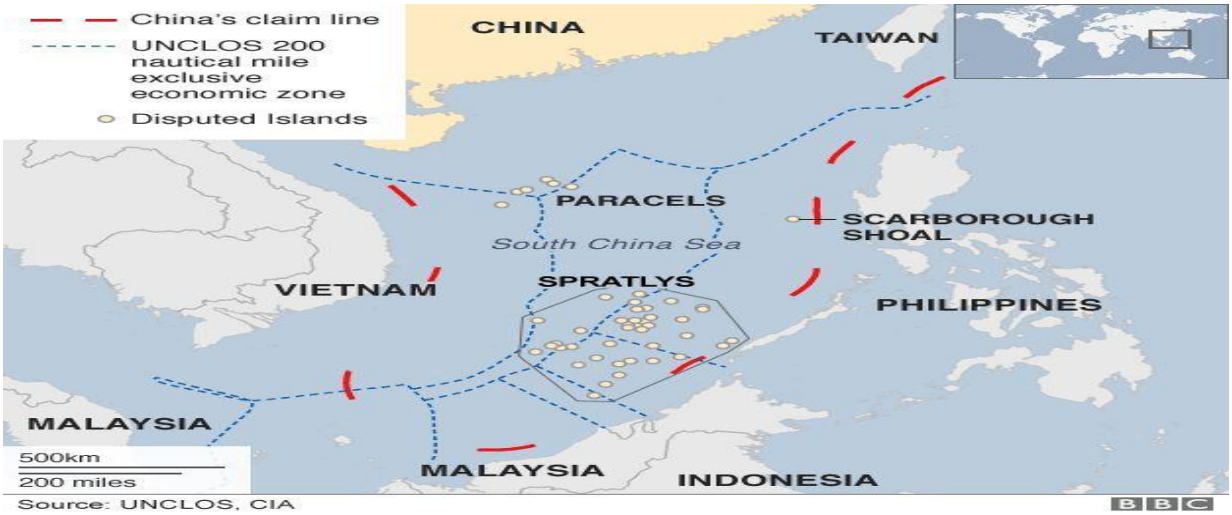


Source: Lin and Wang (2008)

With the passage of time the decrease in growth rate has been acknowledged by China as a "New normal," as mentioned in the Chinese President Xi's speech at G20 Hamburg Summit (2017) with a comprehensive, open, and innovative approach of business to be dependent on more private consumption, for economic growth. China needs to adopt innovative measures to accelerate its economy. After impressive economic growth and subsequent social development, China is proceeding for development of its western geographical part. Meanwhile, China is also taking measures for availability of raw material particularly the energy resources transported from South China Sea. Hence sea lanes of communications are significant for geographical as well economic security of China. Accordingly, China is claiming for major part of South China Sea in the form of

"nine dash line" which is another debate whether the claims are legal or not. Meanwhile, South China Sea is worthy for China for the following reasons as well.

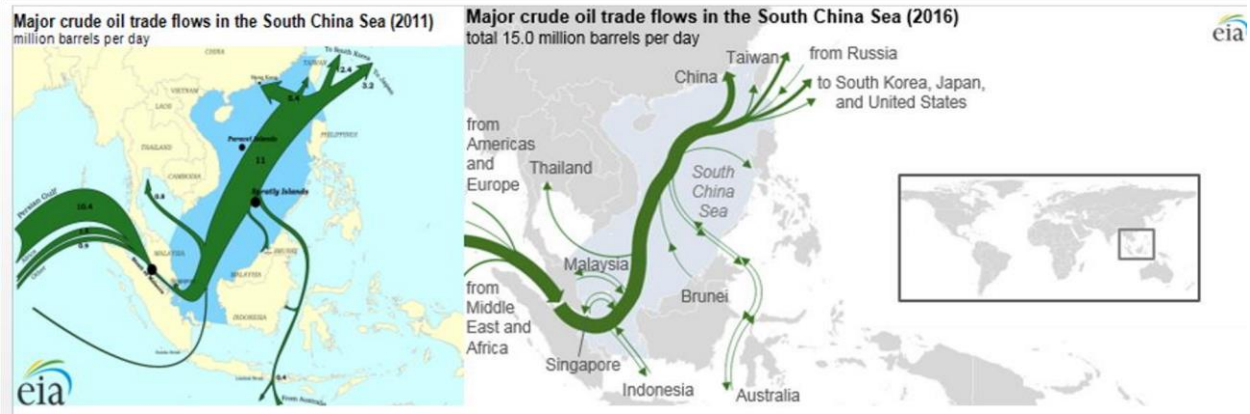
Nine Dash Line Fig. 2



ECONOMIC SIGNIFICANCE OF SOUTH CHINA SEA

Since ancient times, the South China Sea has been the hub of trade with transmission of cultural, geostrategic and political power to attain more access towards the South East Asian states and vice versa. In the present times, it has emerged as a maritime zone of great significance; it is noteworthy in many aspects that approximately more than one quarter of the world trade passes through South China Sea every year. It is considered as the world's second busiest shipping route for the transportation of the economic power houses, and like Taiwan, South Korea, Japan and China, it is recognized for its transportation of raw materials and energy resources including liquid natural gas, oil, mainly the crude oil along with coal and iron from the other parts of Asia and Africa (US Energy of Information Administration [EIA], 2013-b).

Transfer of Energy Resources Fig. 3



Source: (US Energy of Information Administration [EIA], 2013-b)

It has been estimated that around 60 percent of Taiwanese and Japanese energy resources including the raw materials pass through South China Sea maritime route while the overall

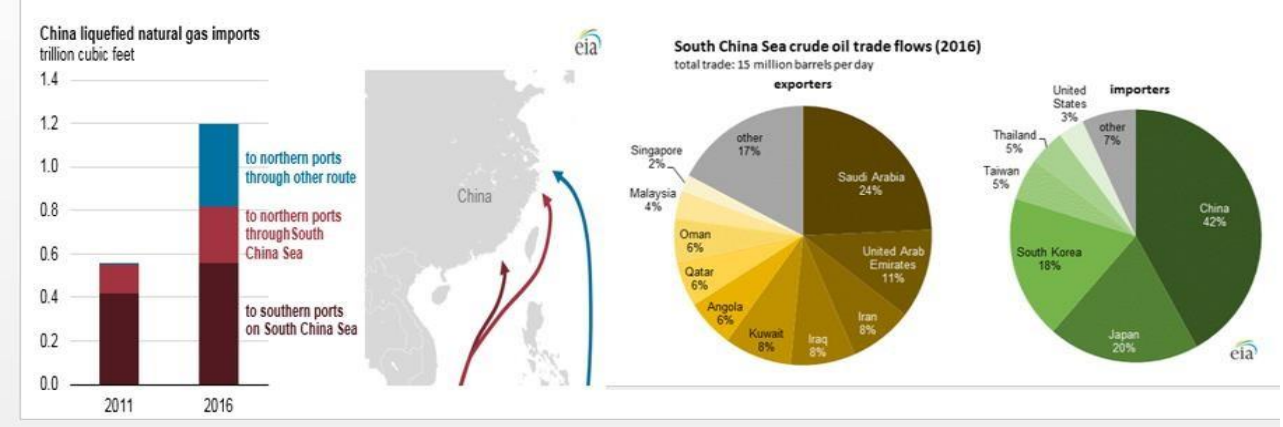
percentage estimation of countries that are dependent on the Sea route for their trade ranges from 80 to 90 percent. The amount of energy resources passing through the South China Sea is three times bigger than the quantity passing via Suez Canal and 15 times via Panama Canal (EIA, 2013).

The Trade Flows through South China Sea, Fig. 4

Source: (Center for Strategic and International Studies [CSIS], 2017)

According to various analysts and naval experts, the cost of rerouting oil tankers via the Lombok Strait and Luzon Strait in the East of the Philippine would cost Japan additional $ 600 million per annum, and $ 270 million per annum to South Korea (Harris, 2016).

South China Sea Crude Oil Trade Flows: Chart 2



Source: (Barden, Jones, & Mehmedovic, 2017)

Additionally, South China maritime route is also used for transportation of manufactured goods to Asia, Africa, Europe, and other parts of the world. Indeed, the majority of maritime traffic from East to West or West to East covering the areas of South East Asia, South Asia, West Asia, Middle East, Africa and Europe embraces the South China Sea maritime route. Approximately, goods of $5 trillion worth are transported by shipping lanes running through the South China Sea every year (Fensom, 2016). It includes more than half of the world's annual merchant fleet tonnage and a third of all maritime traffic worldwide.

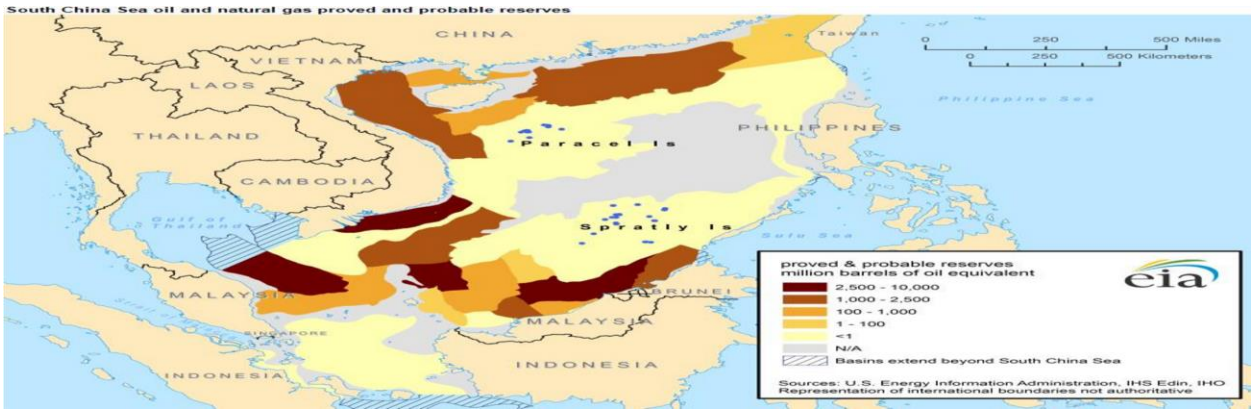
South China Sea is a significant route for trade particularly that of ASEAN states. It is significant, as it is vital for top ten exporting nations which cover the two-third of the total liner export while 30

percent of the global volume of exports carried out through containers. For the same reasons, this region has highly active ports both in terms of capacity and container traffic. In this regard, Shanghai, China has been ranked as number one in top fifty global container ports on both traffic and capacity basis estimated in TEU, while Singapore is ranked number two (World Shipping Council, 2017).

Natural and Energy Resources

The Sea is not only important for its transportation activity but equally valuable for its energy resources including oil and gas reserves. The South China Sea has huge deposits of natural resources as well as its enormous potential for oil and gas. The presence of vast deposits of natural resources has compelled various geo-strategists like Kaplan to call it a "Second Persian Gulf" (Kaplan 2011, para. 7). Although it is challenging to have an exact assessment of the accurate bulk of natural gas and crude oil reserves, however, some assessments have been made to figure out the vast reserves of natural resources around continental shelves of the Sea. Almost, seven billion barrels of oil has been extracted with production capacity of 2.5 million barrels per day (EIA, 2013).

Oil & Gas Reserves in South China Sea, Fig . 5



Source: (US Energy of Information Administration [EIA], 2013-a)

According to the US Energy Information Administration (EIA), the South China Sea might have approximately 11 billion barrels of oil and 190 trillion cubic deposits of natural gas in addition to vast deposits of hydrocarbons in untapped areas (EIA, 2013-a). During 2010, it was estimated that the potential of crude oil and natural gas along with natural resources is much higher than the estimates made in previous surveys. It was noted that South China Sea could have around 5 to 22 billion barrels of oil and 70 to 290 trillion cubic feet of natural gas with huge potential of undiscovered rich resources (Rowan,2005).

According to the University of British Columbia, South China Sea consists of 3.5 million square kilometers and is ranked one of the five main fishing zones of the world. The Fishery employed more than 3 million people to provide the vital protein to millions of people across the world (Guoqiang, 2015). Regarding the Sea, an interesting fact has been comprehended by the US Air Force Captain Adam Greer that "South China Sea's politics can be summed up by a '3 P's Rules' Politics, Petroleum, and Protein" (Greer 2016, para, 4).

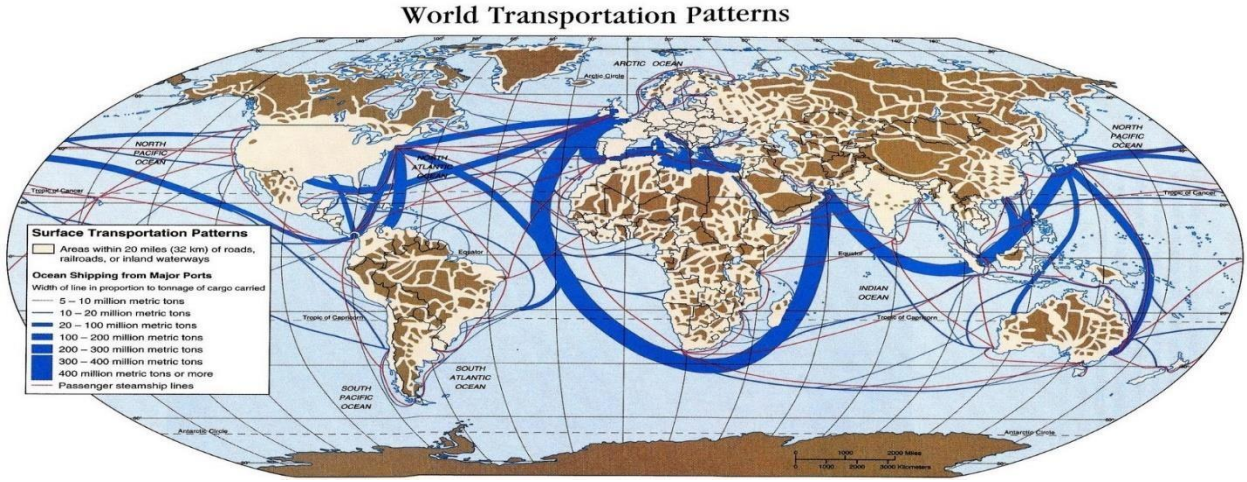
A research conducted by the Filipino Department of Environment and Natural Resources showed that South China Sea has the one third of the entire world's marine biodiversity including chub

mackerel, anchovy, shrimps, black scraper and hair tail along with other smaller fishes while ten percent of the world's catch (Vagg, 2012). Although roughly 40 percent, of the stocks are collapsed because of overexploitation or destructive practices as thousands of vessels are sent every year by different countries to this region for fishing.

GEOSTRATEGIC SIGNIFICANCE

The South China Sea is a highly valuable area for its geostrategic status as well. For all the great powers including Japan, China, India and the US, Sea Lanes of Communications (SLOCs) along with maritime choke points are critical for many reasons. For few states, it can only be a matter of navigational freedom while for others, particularly for the emerging states, it is more than a matter of navigational freedom such as China which is thoroughly dependent on the maritime trade. It is significant to be considered as one of the key transportation patterns of the world since the ancient times as is shown in the Figure 5.

Transportation Pattern, Fig. 6



Source: (Agarwal, B., Hu, P., Placidi, M., Santo, H., & Zhou, J. J., 2012)

Within the South China Sea, important maritime chokepoints are Strait of Malacca, Sunda Strait, Lombok-Makassar Strait and Luzon Strait with significance beyond measures, particularly for the Asia Pacific countries (Storey, 2009). From a militarily point of view, South China Sea is also crucial, particularly for those states that want to enrich their military capabilities in the Indian Ocean and the Western Pacific Ocean as the South China Sea maritime route is the only evident junction point between Pacific and Indian Ocean .The South China Sea has many connecting channels which connect the sea with the Pacific Ocean like Taiwan Strait that is located in the North while the Luzon Strait is located between Taiwan and Philippine. There are also other shallow channels located on the East along the Philippine and on the South along Indonesian islands Sumatra and Borneo. One most important channel is located in the West that is known as Malacca strait which is connected with the Indian Ocean. This strait is the narrowest, which is 31 km (19 miles) wide with a depth of 30 meters (100 feet) (South China Sea and the Gulf of Thailand, 2014). Despite the South China Sea has been warned by many analysts including the Robert Kaplan, that it is "the 21st century's defining battleground" the "throat of global Sea routes" (Kaplan 2011, para. 9).

Since its relevance for the states located around the sea and for operational military implications, the South China Sea has become a source of conflict among East Asian countries due to the above-mentioned factors (Holmes, 2014). Economic development improved social conditions and participation in existing global institutions. Being an active member of international community, China enjoys enough soft power to yield its influence across the globe by initiating high level of innovative plan for self-sufficiency and establishing new global institutions abroad.

CHINA'S INNOVATIVE DOMESTIC AND GLOBAL VENTURES

One of the innovative initiatives taken by China includes the "Made in China 2025" to modernize and upgrade the hi-tech industry. It is basically a master plan to convert the country into a 'manufacturing super power" in the coming decades. The main target of the strategy is the manufacturing sector and particularly the hi-tech industry for its contribution to growth rate. The focus has been made on 10 key industries including the aviation, robotics, automotive, railway equipment, biopharma and medical devices, energy saving vehicles, aerospace and aeronautical equipment, agricultural equipment, new materials and high-tech maritime equipment etc. to reduce the dependency on other countries. This vision was presented in 2011 and executed in 2013 (Wübbeke, Meissner, Zenglein, Ives & Conrad, 2016). The plan not only focuses innovation rather the entire manufacturing process, along with attention on self-created global standards. Besides the initiative of "Made in China" the country is adopting few other innovative initiatives including the BRI and statecraft of Parallel institutions including Asian Infrastructure Investment Bank (AIIB) many others.

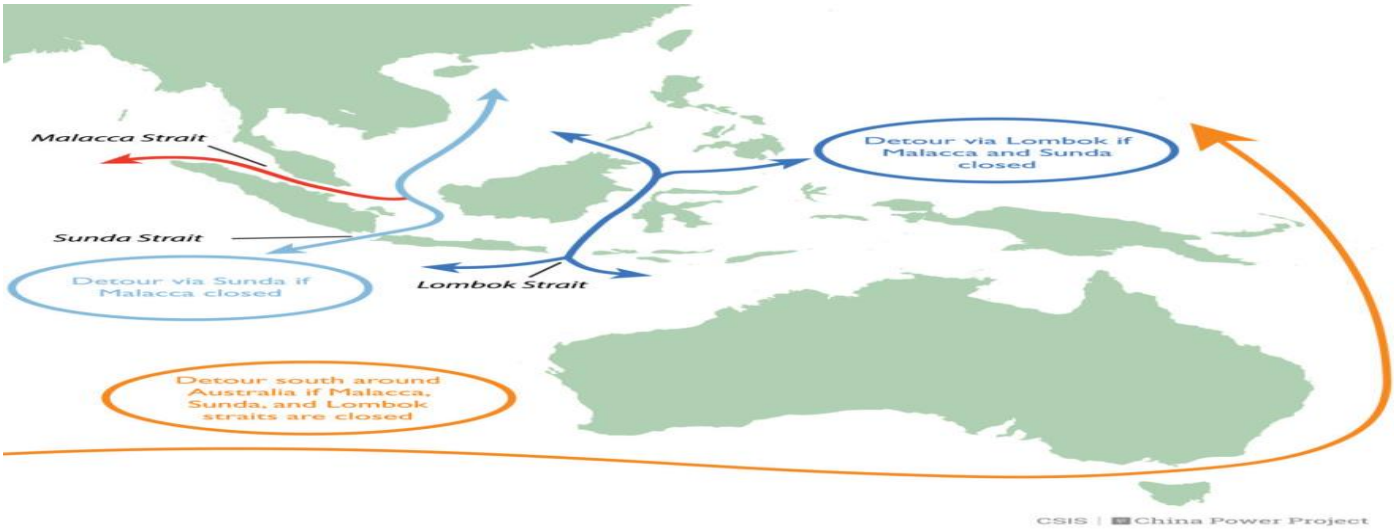
China is budding its leadership qualities as well, by crafting multiple political and economic institutions and taking initiatives aimed at bringing multiple changes. Two notable projects under discussion include; BRI and the establishment of financial institutions such as banks. All the initiatives have their own value in standing parallel to other global institutions, established by the West (Lin & Wang, 2008).

Belt and Road Initiative (BRI)

BRI is one of the most significant Chinese initiatives having diverse impact on different countries at various levels. For some countries, it is a medium of communications, providing transport facilities, an economic accelerator and a great source of social mobility while for others it involves the global power dynamics. Its creative plan was announced in 2013 by President Xi Jinping's while its implementation started in 2015. Basically, this is a plan to connect China with the world by linking different points, mainly the countries along the way. Piraeus (Greece) is China's main infrastructure port project at the western end of the Maritime Silk Road stretching from eastern coast of China. Between these two ends, the two most important strategic passages are the Strait of Malacca and the Suez Canal. There are many reasons to take such creative initiatives for growing energy needs and to find out alternative routes, becoming less dependent on Strait of Malacca.

BRI is a systematic plan which runs from sector to sector, industry to industry and province to province, starting from Eastern part to Western part of China, encompassing its northern and southern parts. It is a continuation or a revival of ancient trading routes used to link Chinese merchants with those of Central Asia, the Middle East, Africa, and Europe in seventh century but later became inoperative because of several reasons. So, the initiative can be considered as stepping

Straits in South China Sea, Fig. 7



Source: (Center for Strategic and International Studies [CSIS], 2017)

back into the golden era of China, when the nation enjoyed 400 years of prosperity during the Han dynasty. This era is also known as "Pax Sanica" which means "Chinese Peace." In revival of the ancient trade, camels and caravans are replaced with cranes and construction crews (Permanent Mission of the People's Republic of China to the UN, 2015, para. 2).

Western policy makers are stranded because of these mega projects as no fixed list of member countries has been presented although a rough estimate of 60 states has been made but still it is open for all with a protracted list of projects. BRI is huge and amorphous due to some potent reasons: Its projects are huge with massive potential; according to Chinese officials there are more than 2000 plus deals with more than 60 countries engaged globally, to work domestically. China has pledged to invest 1-8 trillion US dollars in these projects (Hillman, 2018). Presently, it focuses on 2,200 projects on transport, including roads, railroads, dry ports and seaports. It involves total GDP of 23 trillion US dollars along with 4.4 billion people out of 7.6 billion total population of the world (Hillman, 2018). During 2017, 110 countries attended the BRI Forum (under the name of Belt and Road Forum or BARF) along with 30 world leaders, including the heads of states. It has been officially endorsed by United Nations Organization, World Bank and Asian Development Bank (ADB).

Besides, it has been made a part of Communist Party of China (CPC) Consortium. It is important for the current government because of the splash of a successful foreign policy, with its fruits at domestic level, as government is committed to achieve the goals of "moderately well-off society" by 2020 and a "strong, prosperous" by the mid-century (Belt and Road Forum, 2017). It is quite alarming for the global powers and their traditional way of trade as a whole. Two merging trading blocs can be seen across the globe; one is the Trans-Atlantic in which Europe is included while other is the Trans-Pacific in which Asia is included and, in both blocs, America is the focal point. In case of BRI, both blocs are treated as a single unit with no placement of America as a focal point, China being placed as the dominant power ("Our bulldozers, our rules," 2016).

The National Development and Reform Commission (NDRC) in collaboration with Ministry of Foreign Affairs and Ministry of Commerce of China, announced for an initiative on 28th March 2015 on "Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road" which later came to be known as "One Belt One Road." Primarily, it has two main elements: The Silk Road basically consists of two parts, one is Belt comprising land route to connect China with Central Asia, Eastern and Western Europe (shown in orange color), while the second is Road which is a maritime route which connects China with South East Asia, South Asia, Middle East, and the Persian Gulf and the Mediterranean Sea (shown in blue color).

Mapping the Belt and Road Initiative Fig. 8

Source: (Yamada & Palma, 2018)

Yang Baoyun, a professor at Peking University is cited by Zhang that "Like the historical route centuries ago, the new maritime silk road will bring tangible benefits to neighbors along the route, and route and will be a new driving force for the prosperity of the entire East Asian region" (Jiao & Yunbi, 2013, para. 7).

According to the officials, this is a circular route linking China from one part of the world to other parts "connecting the vibrant East Asia economic circle at one end and the developed European economic circle at the other, and encompassing countries with huge potential for economic development" (Government of the People's Republic of China, 2015, para.7). BRI can be declared as a third phase of Chinese economic rise after the development of Special Economic Zones and China's accession to the World Trade Organization (WTO).

According to an estimate made by the ADB, Asia needed to "invest approximately $8 trillion in overall national infrastructure" between 2010 and 2020 (Asian Development Bank [ADB] & the Asian Development Bank Institute [ADBI] 2009, p.4) however according to China Bank Development more investments are needed towards Pan Asian connectivity through energy infrastructure, communications and transport within one decade from 2010 to 2020 which would lead to Asia's income beyond the $13 trillion (ADB & ADBI 2009, p.5).

By suggesting various measures, report recommended that to achieve a long-term vision of a seamless Asia would require an infrastructure capable of providing: uninterrupted connectivity to regional and global market; connectivity would be driven by political leadership embedded with

economic logic, and; Pan Asian infrastructure network built up by nationwide, bilateral and sub-regional programmes. These networks would be directed and reinforced by effective regional and broad-based frameworks to ensure the proper financing and development (ADB & ADBI, 2009). Thus, Asia which has become economic engine due to its potential can play its role in accelerating the global economy in future (Dollar, 2015).

CONCLUSION

Geoeconomics is a contemporary trend particularly with reference to rising states, as a measure to influence others and for the existing states to contain the rising ones via wagging trade wars or implementing economic sanctions. The claims on the vast part of the Sea and the development of the artificial islands are meant to strengthen the claims and ultimately to exert its command, testifies the relevance of use of geography for economic purpose and ultimately use of geoeconomics for geopolitical purposes. In order to obtain and maintain the export, production and national prosperity, maritime states are dependent on Sea commerce and communications which can easily be hindered by the "arterial blockage." So, South China Sea is highly valuable for the growth and prosperity of Chinese economy in order to gain its political benefits while utilizing the geoeconomics resources.

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