

## **DEVELOPMENT OF CHINA AND INDIAN OCEAN ECONOMIES**

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### ***Abstract***

*China has emerged as an important global player due to its outstanding economic growth and contribution in global economy. To retain its position and expand its influence in global arena, China is looking for new avenues. One of the favourable centres to spread out its power and strength is Indian Ocean by which China sustains its economic growth using different sea lanes for trade and investment. The Ocean has also been a great source of energy security as China is the major consumer in Asia considering its vast population. The geo-political importance of Indian Ocean, nevertheless, cannot be denied to expand trade and commerce. To achieve its key strategic interest, China is always eager to protect the sea routes, maintain good relations with the great powers and try to balance the power in the region. On the contrary, China's influence in the Indian Ocean has been a great concern for other great powers like India and the USA which have the common interests in this region. The triangular role of these three stakeholders in Indian Ocean politics are the key issues of discussion for this paper. Also, the importance of Indian Ocean on China's economy along with its prospect is other pertaining issues discussed in the paper.*

### **Introduction**

China in recent years has been the centre of discussion by many due to its outstanding economic growth. China's own way of growth and distinct policies such as high rate of investment, savings, Foreign Direct Investment (FDI), and export have brought the country at this position and the country is now called the 'East Asian Miracle'. For China's unprecedented economic growth, sea mostly the Indian Ocean (IO) is geopolitically very pertinent. Also, protecting its sea lane is one of the strategic interests of the country. However, the geo-politics of IO is not exempted from great power rivalry. The US's influence throughout the world and the emergence of India as a regional power are the key

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concerns for China to expand its influence in the IO. The common strategic interests of the major powers, nevertheless, have fostered a great competition in this region. What are China's strategic interests over IO? What are the probable tension and key challenges of Chinese expansion in this area? What are the prospects of the Chinese economies along the IO? This paper tries to address the above mentioned issues. Furthermore, China's economic development is analysed in order to understand its current position in global world order system.

The paper is organised as follows: After introduction in Section 1, Section 2 gives an overview of China's overall economic development. Section 3 is an attempt to find out the favourable strategic interests of China with regard to IO. Section 4 describes the impact of IO on China's economy. Section 5 highlights the prospects of China's economy along the IO. Section 6 tries to find out some of the key challenges to reap the benefits from IO. Section 7 draws conclusion.

### **China's Economic Development: An Overview**

China's development process is conceivably the most dynamic in the modern world. It is beyond any doubt that China always desires to be a global actor upholding its national interest. One of the key national interests is to recognise itself as a 'developmental state' and perceives it as a 'new model'.<sup>1</sup> China commenced its economic reform since 1978 turning its 'socialist policy' into 'socialist market economy' and undeniably it has become the fundamental tool of modernisation. With this cross-road policy, China opened its worldwide engagement and accepted free market economy. China, in addition, has changed rules, regulations, norms and practices to maintain the international standard, and engaged with the international institutions to increase its acceptance in the world arena. One of the global practices is China's entry into World Trade Organisation (WTO) in 2001 and acceptance of world order system. To evolve as a rising economic power, for the last three decades, China has accomplished significant changes through rapid industrialisation, more investment and smooth growth in trade. At this time, out of world's five largest banks, four are Chinese. China's highest growth rate is recorded in 1995 at about 10.9 per cent and it cannot be denied that China is the fastest growing in the world for the last two or

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<sup>1</sup> Gregory Chin and Ramesh Thakur, "Will China Change the Rules of Global Order?", *The Washington Quarterly*, vol. 33, no. 4, October 2010, pp. 119-138.

three decades.<sup>2</sup> This has made it the third biggest trading country and fourth biggest exporting state in the world.<sup>3</sup>

To maintain its rapid economic growth, China has become an export powerhouse of consumer goods to the West for the last twenty years. In recent years, due to global financial crisis, China has changed its strategy, more focused on domestic-led growth, tried to capture the southern market and reduced its market share in the US and European sphere. In addition, China tries to enhance regional development banks and other trade arrangements like China-ASEAN Free Trade Area, in association with the Asian Development Bank and the Central Asia Regional Economic Cooperation. At this time, the world economy is shaped by the increase of Chinese domestic consumption, Chinese multinational corporations and China's emergence as an international creditor.

It is worth mentioning that China's growing economy also shapes its foreign policy. Earlier, China was guided by the principle of Deng Xiaoping whose strategy was to keep secrets within the country and promote the internal strength only for national development. Now things are getting changed and President Hu Jintao, going beyond Deng's strategy, instructed the diplomats to increase the country's influence politically, make country more economically competitive and enhance country's friendly image emphasising more on the humanitarian appeal. He also stated to play a more proactive global role stressing on protecting its national interests and at the same time, opening its economy to the outside world.<sup>4</sup> Therefore, the importance of IO is immense as Chinese dream to be an important global actor could be achievable materialising their maritime interests.

### **Why Indian Ocean is Important for Chinese Growing Economy?**

IO is critically important for three distinct reasons. First, Indian Ocean Region (IOR) is the primary destination of oil and gas reserves; second, IO is the mode of transportation of crude, refined products as well as liquefied gases using sea lines of communications (SLOCs) and pipelines; and third, it is the source of primary refining and storage.

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<sup>2</sup> Sriram Natrajan, "China's Economic Rise: High Growth with Widening Inequality", *World Focus*, vol. 28, no. 3, 2007, pp. 79-82.

<sup>3</sup> Zhou Xingbao, "China in a Rising Asia -Pacific", *India Quarterly*, vol. 64, no. 1, January-March 2008, pp. 64-78.

<sup>4</sup> *People's Daily*, July 20, 2009.