



## China's Colonial Ambitions

**China is heading down the path of colonialism as it tries to slake its thirst for resources.**

*“China is a sleeping giant. Let her sleep, for when she wakes she will move the world.” Napoleon Bonaparte (1769-1821)*

Europeans led a race to colonise in the 1500s, and again in the 1800s – both the result of a **Schumpeterian** innovation wave. In the search for new resources, products and markets, the colonists created novel organisations and production forms.

In the 1960s, when the West decided to send industry to the East in search of a cheaper workforce, it set in motion a global change. It seemed a win-win scenario. The West reduced its costs and therefore the price of goods, and as a consequence, increased sales, consumerism and standards of living. The East leveraged industrial investments and developed a rising middle class, transforming into emerging economies. This formed a five-decade trend as industry concentrated in Asia.

### The race for resources

Asians rose from poverty to a mid-level consumption pattern over those decades. Their consumption level is now similar to Eastern Europe, with the exception of Japan and South Korea which already consume at the same levels as Western Europe.

Asia is rich in resources, but not rich enough to supply the steadily growing demand. It needs water, food, minerals and energy to continue its rapid growth. Forced to look for raw materials, this growing economic power is investing in Oceania, Indonesia, sub-Saharan Africa, South America and Central Asia.

### Driving the colonial race

This has formed a third “colonial race”, this time led by China, not Britain or France. As the demand for resources increases, a colonial power starts to emerge. The typical characteristics of a rising colonial power can already be seen in China’s preference to start its interactions closer to home. Nearby Indonesia and Oceania are the primary recipients of Chinese investment and interest due to their massive mining industries. China’s secondary sphere of interest includes sub-Saharan Africa and South America.

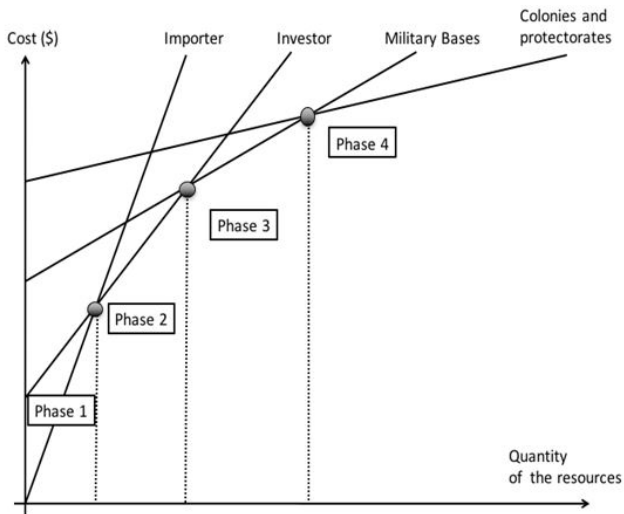
Other sources of minerals and energy like Siberia, Alaska, Canada and the Middle East are under the military protection of other powers, like the United States and Russia, and so access is limited in terms of direct investment.

Figure 1 shows the four logical phases that colonial powers grow through in relation to resource regions. The four phases clearly show the aspects of

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**“capital and coercion”**: Societies interact by two means, commerce (capital) and warfare (coercion).

**Figure 1 – Quantity and costs with different models**



The **first phase** consists of importing and avoiding fixed costs. Initially this works well; the colonist is able to adapt to new suppliers, eliminate problems and gain confidence in a given region. This phase started in the 1980s when Japan began looking for resources abroad, and in China with the rise of Deng Xiaoping.

The **second phase** arrives as volume increases and the next logical step is to reduce variable costs by increasing fixed ones and sinking capital by investing. In short, the importer becomes an investor.

By the 1990s, the Japanese were already moving into the second phase. The Chinese entered this phase when they joined the World Trade Organization (WTO) in 2001.

In their thirst for resources such as water, food, minerals and energy, the Chinese are buying infrastructure, land and companies. They are also transferring people and developing those regions, albeit not without political friction in South America and sub-Saharan Africa.

The **third phase** starts the transition from “capital” to “coercion”. As dependence on the source region increases, food and energy security is at stake. Aero-naval bases are built to ensure protection in a region, initially from pirates, then later from regional warfare, and finally from competitor nations.

We see the third phase in the Indian Ocean where the Chinese are negotiating naval base rights with Myanmar, Pakistan, Sri Lanka and the Seychelles. They recently established a permanent military

base in Djibouti. The Chinese are also developing a navy and air force capable of establishing patrols across the South China Sea. This third phase combines capital and coercion, spurring a naval arms race among India, Australia and Japan.

The **fourth and final phase** is when “colonists” depend so much on the source region that they contemplate establishing colonies and protectorates to secure a monopoly of access. This is a costly affair that can only be maintained in certain regions with high value and very low organisation.

China has reached this phase in the disputed island chains of the South China Sea: the **Paracels**, **Spratlys** and the **Scarborough Shoal**. The control of these islands has been claimed by many nations like Vietnam, the Philippines, Malaysia, Brunei and, of course, China.

Establishing military bases and incorporating those islands into Chinese territory has been attempted, even though this is against international law and harmful to China’s international recognition.

### Questions for the future

We are in a new colonial race, but the outcome is still uncertain. China’s next move will be to develop military assets to defend its interests worldwide. However, knowing how a colonial power amasses resources and land, we need to be cautious. Countering with still more military assets could lead to a new arms race. The recent move by the U.S. to install THAAD missiles in South Korea not only caused consternation in China but landed Lotte, the South Korean conglomerate that gave their U.S.-friendly government the land, in hot water with the Chinese people. There will be political and economic implications.

Trade relationships and military alliances with South America, sub-Saharan Africa and Oceania are vital to maintain a system that offsets Chinese power in terms of trade and arms.

The two previous colonial races led to an exhaustion of the global system of exchange and resulted into hegemonic transition wars: the Thirty Years War (1618-1648) and the World Wars (1914-1945). It is clear that China is aiming to become a global power and has even signalled its willingness to pick up the baton of free trade from a retreating U.S. What China’s rise will mean for world peace will depend on how peaceful the transition is from one global hegemon to another.

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