

## China Pursues 'Manifest Destiny' Through Mercantilism and Imperialism

By William R. Hawkins  
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China's economic development strategy has often been called a new version of mercantilism, the philosophy of political economy that built the great nation-states and empires of Europe in the 16th-19th centuries. Mercantilist features have been most prominent in Beijing's drive for exports and a large reserve of hard currency. The focus has usually been on China's trade with the United States and Europe, the source of its large trade surpluses. But China's relations with other parts of the world show different aspects of the mercantilist model.

Latin America is an example of how Chinese mercantilism is assuming a neo-colonial pattern in which the dominant country secures markets for its manufactured goods in exchange for raw materials from its weaker partners. Last November, President Hu Jintao toured Latin America and completed a number of economic deals on this basis. Hu's first stop was Brazil to meet with leftist President Luiz Inacio Lula da Silva to renew the "strategic partnership" which had been declared during Lula's visit to China in May. Both leaders predicted that China would replace the United States as Brazil's top trading partner.

Hu's interest was importing more Brazilian chicken, beef, soy beans and minerals. In the long term, China sees Brazil's vast territory as a potential solution for its growing need for food and raw materials. To advance this agenda, Hu offered between \$5 billion and \$7 billion worth of investments to improve Brazil's roads, railways and ports. Though Brazil gained a commitment from China to order at least ten Embraer aircraft, Beijing prefers to focus on Chinese production of a joint venture regional airliner, which will transfer Embraer technology to China Aviation Industry Corporation II. Ambitious mercantile powers want to keep any advanced industrial project in their own hands, relegating partners to a subordinate supplier status.

From Brazil, Hu went to Argentina where another "strategic partnership" was declared with President Nestor Kirchner. Beijing backed up its diplomacy with the promise of \$20 billion in investments over the next decade, mainly to develop railways, telecommunications and hydrocarbon fuels. Argentina has been pursuing its own export-led growth strategy, but it is being turned in a neo-colonial direction by China.

In 2003, Argentina's exports grew by 33 percent for primary products (mostly agriculture) and 18 percent for petroleum products, while industrial exports declined by 3 percent. Argentina's lead export product is soybeans to China. Indeed, soybeans, corn and oil account for nearly all of the increase in Argentina's exports. China's imports primary goods from Argentina, which more than doubled in 2003 from the previous year, whereas China exports manufactured goods to Argentina.

Hu next went to Chile where a "free trade" agreement was discussed. Beijing wants more of Chile's

copper. Hu finished his Latin American tour with a two day visit with Fidel Castro in Cuba. In Havana, Hu undoubtedly passed on Lula's best regards, as the Brazilian president has long been a close associate of the Cuban dictator. China is looking to invest heavily in the island's nickel mines, and Castro predicted that Cuban exports of nickel would double from expanded shipments to China.

Another radical leader in Latin America with ties to both Lula and Castro is Hugo Chavez in Venezuela. Visiting China on December 24, Chavez said his country would put many of its oil facilities at the disposal of Beijing. Chinese firms would be allowed to operate 15 mature oil fields in the east of Venezuela, which could produce more than one billion barrels. Chavez has also invited Chinese firms to bid for natural gas exploration contracts which his government will offer next year in the western Gulf of Venezuela. Other agreements Chavez signed with Hu covered agriculture, railways, mining, and telecommunications.

Venezuela and China are also looking into ways to better move oil to Pacific transit points. A pipeline could be built across Venezuela and Colombia to a deep water port. An alternative would be a pipeline through Panama.

Beijing is heavily involved with a number of unsavory, but resource-rich regimes, not only in Latin America but elsewhere. Included in this rogue's list are the mullahs in oil rich Iran, who are deeply involved in global terrorism, building a nuclear weapons capability, and backing the insurgency in Iraq. Beijing opposed Washington over Iraq because it had deals with dictator Saddam Hussein to develop oil there. China has also sent security units to support the genocidal regime in Sudan, again because of investments in oil.

Another element of mercantilism is seapower. A powerful merchant fleet keeps the control of commerce in a country's own hands and earns profits from the transport of both imports and exports. China is the world's third largest shipbuilder in terms of gross tonnage, surpassed only by Japan and South Korea. It is building more warships each year than is the United States, albeit of inferior quality. But its capabilities are improving and it has shown the ambition to become the dominant power in Asia and perhaps beyond. Beijing would like nothing better than to monopolize the mineral resources of the South China Sea, in addition to its loudly proclaimed intention of taking control of Taiwan.

As China becomes the world's manufacturing hub, it is pulling in more imports from Asian neighbors – machinery from Japan, steel from South Korea, electronic components from Southeast Asia. Its appetite for raw materials of all sorts has sparked an unprecedented boom in world commodity markets, and prices. It has become the world's largest consumer of copper, aluminum, iron, and cement, and has become the world's second-largest importer of oil. To protect these flows, China is comfortably falling into the same imperialist routines of great powers in the past.

China is adopting a "string of pearls" strategy for naval bases from the Middle East to the South China Sea. The list includes a new base under construction at the Pakistani port of Gwadar, where Beijing already has an electronic eavesdropping post to monitor Persian Gulf traffic. Other "pearls" include a container port facility at Chittagong, Bangladesh; a naval base under construction in Burma; and intelligence gathering facilities on islands in the Bay of Bengal and near the Strait of Malacca. In Cambodia, Beijing is helping to construct a railway line from southern China to the sea. Beijing is also discussing with Thailand a canal or railroad across the Kra Isthmus, which would allow shipments to bypass the narrow Strait of Malacca.

Four of the six "outposts of tyranny" identified by Secretary of State Condoleezza Rice during her Senate

confirmation hearing January 18 (Cuba, Iran, Burma, and North Korea) have ties to China. The violent international politics of the 20th century were dominated by the rise of Germany and Japan in the first half of the century, and of the Soviet Union in the second half. China's rise is potentially even more unsettling to the world order, especially if it continues to pursue its mercantile-imperialist course in league with rogue states. But U.S. policy on China, dominated as it is by outsourcing-happy multinationals, doesn't take notice. This is an intelligence and policy failure that makes our pre-9/11 mistakes seem insignificant.

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