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The Mercantilist Motive for Territorial War

Abstract: The promise of a grand peace in the 21st century arising from globalisation through liberal economic interdependence and political collective security is less likely due to the scarcity of critical resources globally, domestic structures within the People's Republic of China (PRC) and the capacity for independence of the PRC's domestic market. Domestic demand may outstrip global supply leading to a mercantilist motive for territorial war. This paper identifies the systemic context—the success of the multilateral liberal market—and the great size of the PRC as potential drivers for China to adopt mercantilist policies which include the use of force to acquire resources. This potential for the use of mercantilism, which results from a developmental paradox, in addition to the demographic transition towards 10 billion people, provides a rationale to employ the perspective of global development so as to revise the ideological bases and arising development model of the global political economy.

Key Words: China, global development, human security, liberalism, mercantilism, population, resources, sovereignty, .

领土争夺战背后的重商主义动机

摘要：本文指出了中国可能转向重商主义政策的因素：其中大背景是多边自由市场的成功，另外还包括中国庞大的体量。重商主义政策包括使用武力来获取资源。实施这个政策源于发展造成的矛盾，以及人口数量朝着 100 亿发展。这些因素构成了利用全球发展角度分析问题的基本原理，目的是改变意识形态基础和全球政治经济学的发展模式。

关键词：中国、全球发展、人类安全、自由主义、重商主义、人口、资源、主权。

THE MERCANTILIST MOTIVE FOR TERRITORIAL WAR

Introduction

This paper considers the power of the systemic context within which states make decisions. The consequences for and constraints upon the statecraft¹ of individual states are considered when ideologies give rise to development models to form a global system; and with regard to the number of people in the global system. The two dominant ideologies of the 21st century—mercantilism and liberalism—are determinants of present statecraft, as they are the basis of states' judgements and also constitute the foundation of the system. The restriction of statecraft by the systemic context is a determinant of development outcomes.

A finding from this form of systemic analysis is that the success of the global liberal multilateral market, combined with the relative size of the People's Republic of China (PRC) versus other states and the whole system, may necessitate the PRC turning inward for demand and acting unilaterally to obtain a sufficient supply of resources. The thesis holds that the present systemic context may limit the PRC's use of liberalism or neo-mercantilism and require the use of mercantilist policy. The paper finds that a global development perspective which has a focus on human security, if employed to revise the system, will enable the PRC to overcome the mercantilist motive for territorial war and facilitate a stable global political economy capable of providing development outcomes for the increasing global population that is presently undergoing a demographic transition to approximately 10 billion by the end of this century.

This paper employs global political economy (GPE) as its primary discipline for analysis.² However, this paper also utilises the concepts of human security³ and global development. In essence, human security places the individual as the primary unit of analysis when assessing security. Fundamentally, global development acknowledges that the varying development⁴ outcomes for all people are derived from a single global system.⁵ The variety and disparity of development outcomes arise primarily from a lack of cognisance of, and the use of development models built from, ideologies which fail to acknowledge the singularity of all development's source. Thus development models fail due to five main reasons: they are limited in scope; assume unlimited resources; include some and exclude others; are not focused on outcomes; and fail to produce an outcome.

Theoretically, via arrest of failure and dialectic, a deliberate global development outcome could be achieved as assessed by human security. Thus through the application of human

¹ The creation and recreation of the state, see Jonathan H. Ping, "Statecraft", *Middle power statecraft: Indonesia, Malaysia, and the Asia Pacific*, Aldershot, Hants, England; Burlington, (VT: Ashgate, 2005) 13–22.

² O'Brien, Robert and Marc Williams, *Global political economy: Evolution and dynamics* (Basingstoke: Palgrave Macmillan, 2013).

³ For a definition please visit the United Nations Trust Funds for Human Security 2014, accessed August 24, 2014, <http://unocha.org/humansecurity/about-human-security/human-security-all>.

⁴ Development is the provision of political and economic goods such as security, water, food, shelter, education, health care, or infrastructure. See Rotberg, Robert I. (ed), "Failed States, Collapsed States, Weak States: Causes and Indicators," *State Failure and State Weakness in a Time of Terror, A World Peace Foundation Book* (Washington D.C: Brookings Institute Press, 2003), 3–4.

⁵ NASA Goddard Space Flight Centre, "The western hemisphere Blue Marble 2012", accessed August 24, 2014, <http://www.flickr.com/photos/gsf/6760135001/>; Blue Marble, Eastern Hemisphere March 2014 <https://www.flickr.com/photos/gsf/14990033062/> and for further information <https://www.flickr.com/photos/gsf/>.

security and global development, global political economy may be tasked beyond mercantilism and liberalism, occasioning a changed systemic context which allows for alternative statecraft which is focused on development outcomes.

The political economy of global development

How do we get development outcomes? Ideologies provide positive and normative statements about the way the world operates and the way the world should operate, and through their use give rise to a development model. Simplistically, mercantilism focuses on state domination over the economy; liberalism is market over the state; and Marxism is class-based conflict to create the ultimate socialist utopia. Marxism's lack of application systemically or by states as the primary basis for statecraft in the early 21st century enables it to be dismissed from this constrained paper. Mercantilism's all states in competition with all others within a zero sum game leads the system towards systemic periodical conflict as the balance of power shifts, which potentially undermines any development outcomes produced in the preceding period (i.e. world wars). Liberalism efficiently employs resources via allowance for the market and price mechanism, and yet if individuals don't have high marginal productivity to warrant income to buy goods and services, they lack access to the development outcomes (i.e. in 2015 approximately 75% of the planet's population in underdeveloped⁶).

Global development cuts across the normative elements of ideologies in that it is more of a perspective and is keenly focused on outcomes, rather than policy pronouncements or attendance to a specific paradigm. A state may declare goal X, or a multinational corporation may provide a product, but what global development is necessitating is the actual outcome. What is the development consequence of an ideology for individual people, groups of people (nations) and even states? This is the central matter. The greatest measure of global development must be the outcome for individuals when human security is the measure, as without human security the persistent provision of other political and economic goods is not viable.⁷

Critique of the history of global development

An initial preparatory requirement to sustain the thesis is to critique the history of global development regarding ideologies and their utility for global development. Included are both villains and heroes from history, and the more recent inventions of human necessity. These are mercantilism, liberalism, neo-mercantilism, the liberal market, and also the Chinese development model—socialist state-directed market capitalism. A result of this critique is the identification of a developmental paradox which may necessitate the PRC's return to the use of mercantilism.

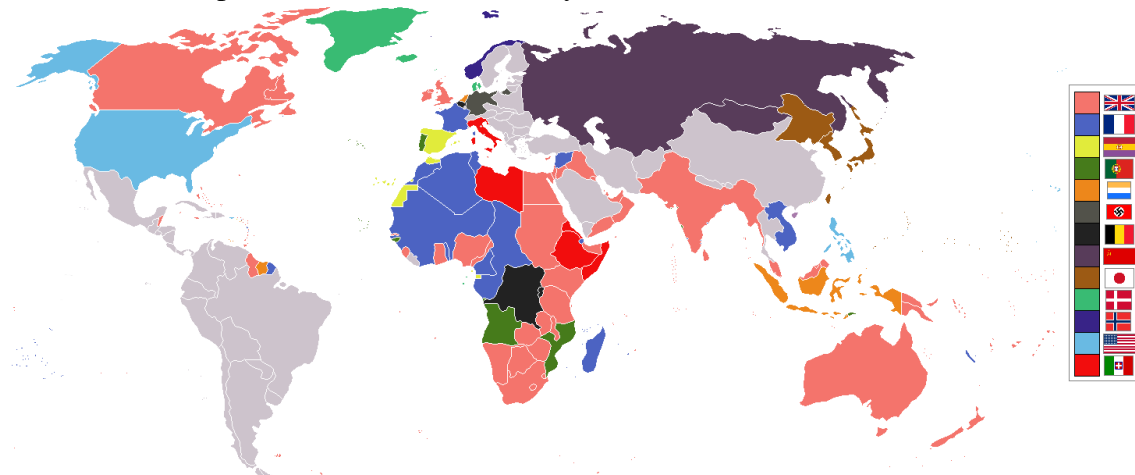
How successful has mercantilism been in creating global development? Mercantilism arose in the European political economy and enabled states of Europe to develop; rapidly expanding

⁶Ruth Alexander, "Where are you on the global pay scale?," BBC News, 2012, accessed August 24, 2014, <http://www.bbc.com/news/magazine-17512040> or for data see World Bank 2014, GDP per capita (current US\$) http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?cid=DEC_SS_WBGDataEmail_EXT.

⁷Rothberg, Robert I. (ed.), "Failed States, Collapsed States, Weak States: Causes and Indicators," in *State Failure and State Weakness in a Time of Terror, A World Peace Foundation Book* (Washington D.C.: Brookings Institute Press, 2003), 3–4.

beyond Europe, forming empires which shortly before the Second World War enveloped almost the entire world (see map below, noting that the majority of the South American colonies gained independence during the 19th century). Development for the bulk of humanity in the colonised parts of the world was as a serendipitous consequence of the activities of European states to facilitate their own development. The era of European colonialism/imperialism arguably left many positive legacies such as common link languages, increased education levels, systems of governance and infrastructure, but a broad reading of history concludes that the costs of achieving development was significant and injurious. Thus the mercantilist anarchic win/lose world system is not particularly effective at creating global development where everybody gets a slice of what they need.

World 1936 Empires and Colonies Territory before the Second World War⁸



Led by post-Second World War United States of American (US) institutionalised (World Bank, International Monetary Fund, General Agreement on Tariffs and Trade) hegemony, the system progressed past mercantilism to a bipolar structure with *half* creating a liberal multilateral trading system, and this has successfully established through statecraft a liberalising market characterised by interdependence.⁹ With the collapse of the Soviet Union in December 1991 the interdependent market has become truly global.¹⁰ The interdependent global reliance of every state is on markets (for manufactured goods, e.g. cars or aircraft; and resources, e.g. oil, coal or bauxite) and open sea lines of communication, and the acknowledgement of a global common to enable low cost transportation and exchange. The PRC is presently very dependent on this global system for domestic stability; however, due to its size, there is an alternative that could be created, as discussed below.

The liberal multilateral trading system has also been possible due to the invention of nuclear weapons and effective delivery systems, which subdued great power competition and the tendency for great powers to employ ultimate mercantilist warfare to achieve the mercantilist's ideal of hegemony. Within the post-1950's systemic context, mercantilism as a basis for statecraft was replaced by neo-mercantilism, with its greater emphasis on the

⁸ "World 1936 Empires and Colonies Territory before the Second World War," accessed August 24, 2014, http://commons.wikimedia.org/wiki/File:World_1936_empires_colonies_territory.png.

⁹ Benn Steil, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order* (Princeton: Princeton University Press, 2013), accessed August 18, 2014, <http://BOND.ebib.com.au/patron/FullRecord.aspx?p=1084822>.

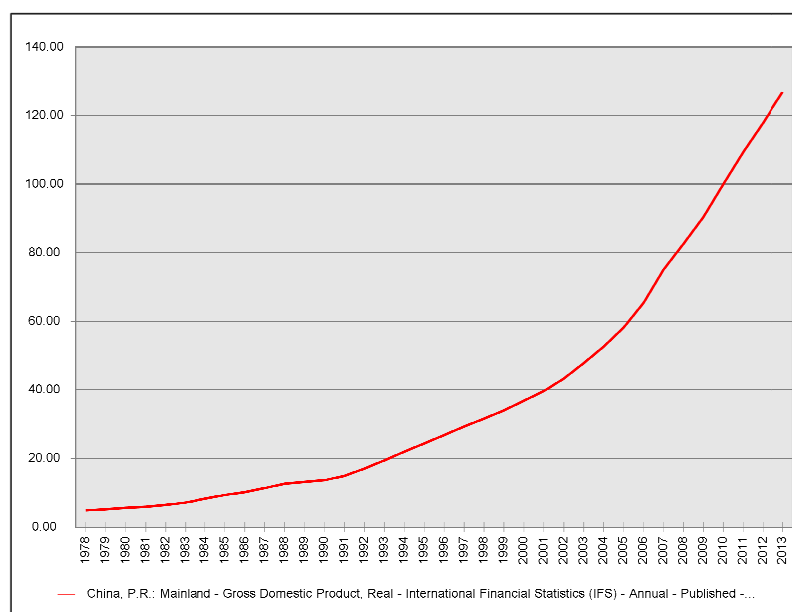
¹⁰ John B. Dunlop, "The August 1991 Coup and Its Impact on Soviet Politics," *Journal Of Cold War Studies* 5, no. 1 (2003): 94–127, accessed February 3, 2014, Academic Search Complete, EBSCOhost.

economy and economic competition between states. Rather than military conflict between states, competition has been manifest in states' investment, industry, market regulation and labour policies; with the greatest success being achieved by those post-colonial states, which created an export-orientated developmental state. Examples include Japan and the newly industrialised countries of East Asia and post-1970s China.¹¹ Enabled by the existence of the liberal multilateral trading system, these states pursued neo-mercantilist goals by importing raw materials; managing industrialisation to manufacture products for export, thereby outcompeting rival states in competition for power.

This system of neo-mercantilist states competing within a liberal multilateral trading system has led to a more stable and developed system than mercantilist states within a mercantilist system, which led to a competitive scramble for colonies so as to monopolise resources, cheap labour and markets.

The PRC's response has been to recognise this opportunity and build from the late 1970s a unique development model, namely socialist state-directed market capitalism.¹² The Chinese model is akin to the neo-mercantilist developmental states, sharing many attributes, and is yet divergent. Hayashi states "...China is significantly different due to its history of socialist industrialization and Maoist model, as well as the size of the country and its population."¹³ It has been incredibly successful, as displayed in the five graphs below.

China Gross Domestic Product, Real, 1978–2013 (Index 2010=100)¹⁴



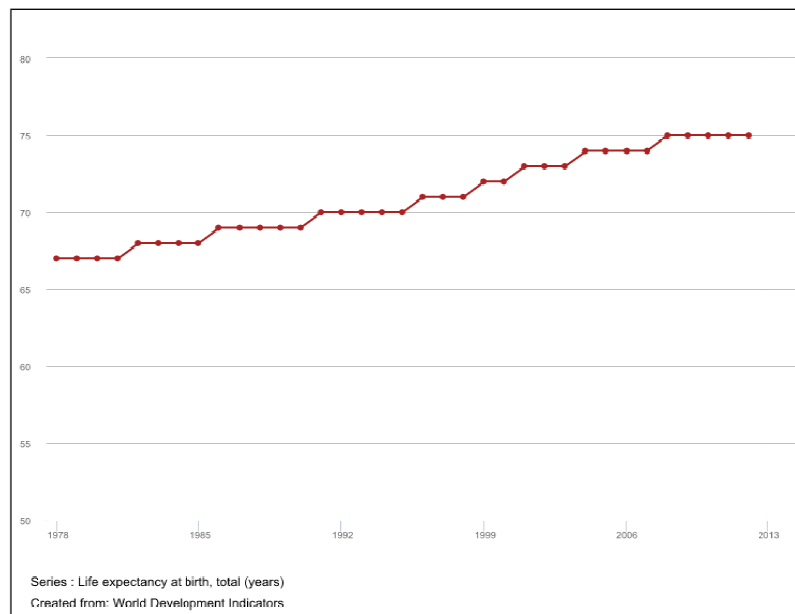
¹¹ Wonik Kim, "Rethinking Colonialism and the Origins of the Developmental State in East Asia," *Journal of Contemporary Asia*, 39 (2009): 3, accessed August 24, 2014, <http://www.tandfonline.com/doi/abs/10.1080/00472330902944446> and Shigeko Hayashi, "The developmental state in the era of globalization: beyond the Northeast Asian model of political economy," *The Pacific Review*, 23 (2010): 1, accessed August 24, 2014, <http://www.tandfonline.com/doi/abs/10.1080/09512740903398330>

¹² Jonathan H. Ping, "The Chinese Development Model: International Development and Hegemony," in McCormick, B. & Ping, J. (eds), *Chinese Engagements: Regional Issues with Global Implications*. Robina: Bond University Press, 2011.

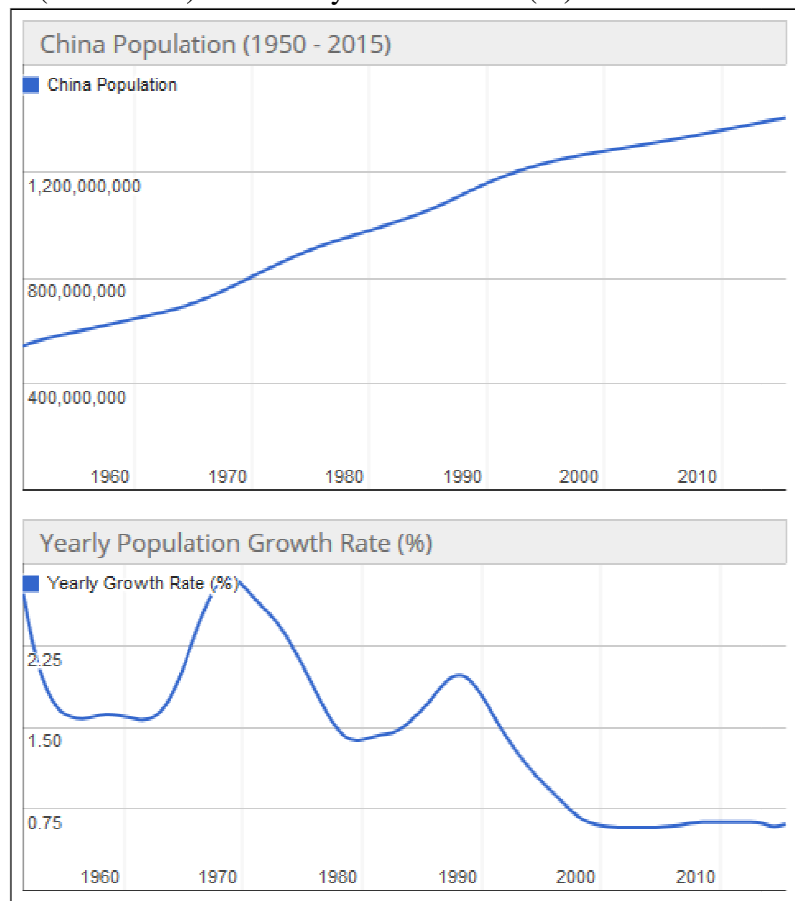
¹³ Shigeko Hayashi, "The developmental state in the era of globalization: beyond the Northeast Asian model of political economy," *The Pacific Review*, Vol. 23, Issue 1 (2010): 55, accessed August 24, 2014, <http://www.tandfonline.com/doi/abs/10.1080/09512740903398330>.

¹⁴ "China Gross Domestic Product, Real, 1978–2013 (Index 2010=100)," accessed August 24, 2014, IMF <http://elibrary-data.imf.org/>.

China Life Expectancy at birth, total (years)¹⁵



China Population (1950-2015) and Yearly Growth Rate (%)¹⁶

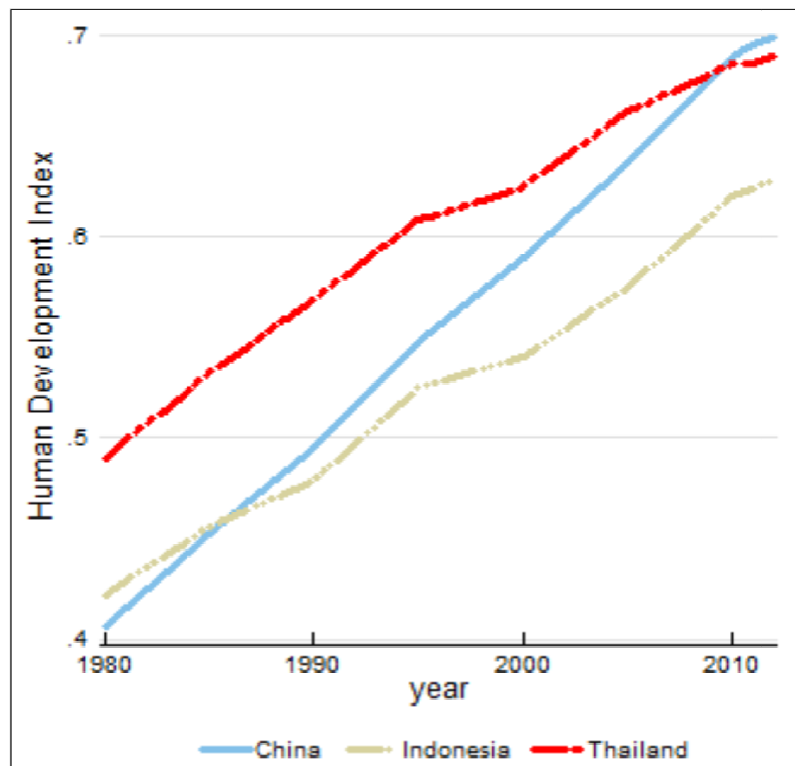


¹⁵ “China Life Expectancy at birth, total (years),” World Bank, accessed August 31, 2014, <http://databank.worldbank.org/data/views/reports/chart.aspx>.

¹⁶ “China Population (1950-2015) and Yearly Growth Rate (%)” Worldometers, accessed August 31, 2014, <http://www.worldometers.info/world-population/china-population/>.

Socialist state-directed market capitalism is the most successful development model since the end of the Second World War, as measured by the number of people it has lifted from poverty through the sustained provision of political and economic goods. Thus the United Nations Development Report *The Rise of the South* is able to state, and underlines in the report: “China performs better than the average BRICS [Brazil, Russia, India, China and South Africa] or IBSA [India, Brazil, and South Africa] country in the HDI and in all its components.”¹⁷ Since the adoption of socialist state-directed market capitalism, the PRC’s HDI has increased by approximately 70%, from 0.423 in 1980 to 0.719 in 2014; overtaking many states, including Indonesia and Thailand in its own region (see graph below from the UNDP report). The PRC’s success through neo-mercantilist policies has been so great that it will be politically difficult for them to be altered.

Trends in China’s HDI 1980–2012¹⁸



Developmental paradox

However, a developmental paradox exists for all states in the neo-mercantilist states in a liberal multilateral global trading system. Development success by an increasing number of states increases the level of insecurity of future global development. The development success through the export-orientated model inside states leads to rising labour costs and an

¹⁷ United Nations Development Programme, “The Rise of the South: Human Progress in a Diverse World,” *Human Development Report*, 2013: 4, accessed August 24, 2014, <http://hdr.undp.org/sites/default/files/Country-Profiles/CHN.pdf>.

¹⁸ United Nations Development Programme, “The Rise of the South: Human Progress in a Diverse World,” *Human Development Report*, 2013: 3, accessed August 24, 2014, <http://hdr.undp.org/sites/default/files/Country-Profiles/CHN.pdf> or United Nations Development Programme, *Human Development Reports*, accessed August 31, 2014, <http://hdr.undp.org/en/countries/profiles/CHN> and <http://hdr.undp.org/en/content/table-2-human-development-index-trends-1980-2013>.

appreciating currency; while the competition between states increases the scarcity and cost of finite resources; enables and necessities multinational corporations to shift capital to states with lower cost bases. These combine to make successful states less competitive, leading to a relative decline or stagnation (Japan is an example and may indicate a first in, first out pattern).¹⁹ For the PRC there is an additional developmental paradox arising from its status as a great power combined with its pursuit of neo-mercantilism through export-orientated industrialisation. Historically, great powers have not been dependent on exports into a liberal market. The European great powers established monopolies of trade within empires. The US has merchandise trade as a percentage of GDP of approximately 20% or less, whereas the PRC peaked at 65% in 2006.²⁰ Developing via exports within a liberal market makes the PRC uniquely vulnerable economically, and thus partially undermines the utility of neo-mercantilism as a basis for PRC statecraft.

The People's Republic of China and global development

What alternatives does the PRC have beyond neo-mercantilism for its statecraft? It could revert to mercantilism, or it could move to a global development approach. The possible triggers for change by the PRC could be that competition for resources becomes counterproductive and unviable. Essentially this would manifest as an inability to purchase, through the market, enough resources to sustain the domestic economy. Presently, the crucial resource required is oil. Given China's population size, it is uniquely vulnerable to this possibility, and a policy response may entail the use of force to secure the required resources. This could be facilitated politically through nationalism. The rise of nationalism in the PRC and a corresponding lack of engagement or empathy with others in the global system may indicate this change.

Another possible trigger is the collapse of global markets by policy design or calamity. Without consumers in other states, production for exports will not produce a development outcome for the PRC. In response, the PRC may gradually create a large enough domestic market to sustain itself, whereby domestic consumers replace the foreign markets. The PRC is unique, as also is India, in that its over one billion population provides it with an option to sever, or at least reduce, its dependence on the global market (see table below).

Most populous states (Population mid-2014)²¹

People's Republic of China	1,364,072,000
Republic of India	1,296,245,000
United States of America	317,731,000
Republic of Indonesia	251,452,000
The Federal Republic of Brazil	202,769,000

For other states, this may constitute a threat to their own development. Other states in East Asia which presently pursue similar neo-mercantilist policies don't have large enough populations to produce and consume domestically so as to achieve the same development

¹⁹ W.R. Garside, *Japan's Great Stagnation: Forging Ahead, Falling Behind*. Cheltenham: Edward Elgar Publishing, 2012, accessed August 24, 2014, <http://BOND.eblib.com.au/patron/FullRecord.aspx?p=981471>.

²⁰ World Bank, World Development Indicators, accessed August 24, 2014, <http://databank.worldbank.org/data/>.

²¹ "Most populous states (Population mid-2014)," Population Reference Bureau, accessed August 24, 2014, <http://www.prb.org/DataFinder.aspx>.

outcome.²² The middle and small powers in East Asia, through sodality, could create a form of regionalism akin to the European Union (EU) so as to overcome their population/market size limitations. However, presently this is politically and economically challenging for the EU²³, and thus presumably even more complex in East Asia given the historical, territorial and development level disparities which exceed those of Europe.²⁴ Their other option is to draw in a global power which has a large enough market, such as the US.

However, by drawing the US into the region for an economic rationale, politically a mercantilist dilemma arises, as the PRC as a great power is threatened in its own region by another extra regional great power. Such policies may encourage the application of mercantilism by the PRC, undermining the possibility of moving to a global development perspective. A response by the PRC to enable global development would be to increase imports so as to provide a market for smaller exporting states.

Systemic context as a rationale for a global development perspective

Ideologies and the arising development models provide utility within a systemic context. If the context is changing, a change in ideology and development model may be required to ensure sustained or increased utility. Presently the global population is projected to increase from seven to approximately 10–12 billion.²⁵ This will occasion an increase in resource scarcity.²⁶ The consequences of the scarcity assessed by mercantilism envisions higher levels of conflict between states. Liberalism's incomes and consumption, based on marginal productivity, may leave many unable to purchase as scarcity increases prices. However, the global development perspective is outcomes-focused, enabling potentially an alternative to conflict or high prices.

When Westphalian sovereignty was first established in 1648, the global population was approximately 500 million.²⁷ This form of sovereignty increased security and human security by establishing "...supreme legitimate authority within a territory."²⁸ It has been developmentally effective for individual states and has allowed for practical development outcomes for large numbers of individual people, and yet it contains exclusivity; a division of the geography which is observed politically and yet doesn't reflect the economic necessity.

²² The sustainability of an exports-based economy and the policies required to move to domestic-demand-oriented growth strategies were outlined in the 2013 *Trade And Development Report*, United Nations Conference on Trade and Development, accessed May 30, 2014, http://unctad.org/en/PublicationsLibrary/tdr2013_en.pdf.

²³ Joan DeBardeleben and Crina Viju, *Economic Crisis in Europe: What it means for the EU and Russia*. Basingstoke: Palgrave Macmillan, 2013, accessed July 30, 2014, <http://BOND.ebib.com.au/patron/FullRecord.aspx?p=1161405> and Jan Zielonka, *Is the EU Doomed?* Hoboken: Wiley, 2014, accessed June 30, 2014, <http://BOND.ebib.com.au/patron/FullRecord.aspx?p=1708790>.

²⁴ Gilbert Rozman, *Northeast Asia's Stunted Regionalism: Bilateral Distrust in the Shadow of Globalization*. West Nyack, NY, USA: Cambridge University Press, 2004. ProQuest ebrary, accessed November 5, 2014.

²⁵ <http://www.abc.net.au/news/2014-09-19/world-population-could-hit-12b-by-2100-demographers/5755148>

²⁶ For an overview and innovative modelling see L. Bretschger, "Population Growth and Natural-Resource Scarcity: Long-Run Development under Seemingly Unfavorable Conditions," *The Scandinavian Journal of Economics*, 115 (2013): 722–755. doi: 10.1111/sjoe.12017.

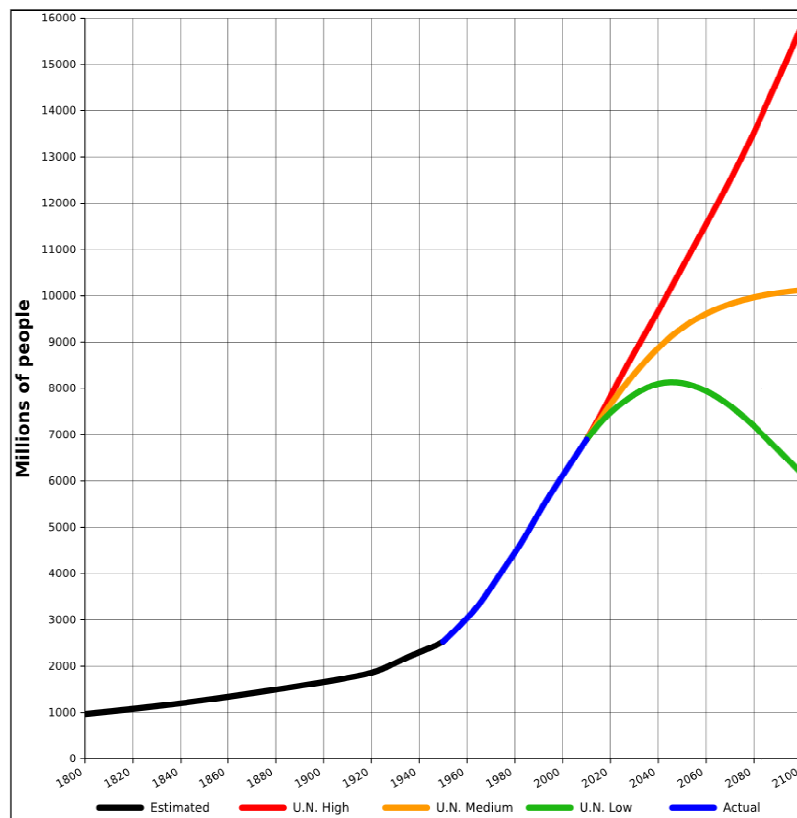
²⁷ Matt Rosenberg, "Current World Population", *About Education*, accessed September 30, 2014, <http://geography.about.com/od/obtainpopulationdata/a/worldpopulation.htm>.

²⁸ Daniel Philpott, "Sovereignty: An Introduction and Brief History", *Journal of International Affairs*, Winter, Vol. 48, No. 2 (1995): 357.

To obtain global development and manage the demographic transfer, a changed development model may be required to enable the orientation of states' policies from competition to cooperation. Greater levels of cooperation, with a focus on outcomes, may require a different geographical polity relationship to match the radically changed global population—a new sovereignty. It would theoretically aim to enable greater cooperation for higher levels of development, focusing on outcomes. This would not entail the complete abandonment of territorial exclusivity, but rather the use of one's territory for the common goal of global development as built from statecraft, guided by the systemic context of global development.

How does this perspective alter the analysis of contemporary territorial disputes, such as over islands in the East and South China Seas? Historical precedents—even with modern manifestations such as the nine dash line of 1953—would be made vacuous by acceptance of the present and future increased population, demand for resources, and need for higher levels of development.²⁹ As displayed below, the global population was approximately one third of present numbers when the nine dash line was first published. In this manner, theoretically, the perspective points a way past contemporary problems by incorporating history, but also the radically changing nature of human society, which is presently part of the way through an historic and unprecedented demographic transition from one to approximately ten billion (see graph below).

Global Population 1800 – 2100³⁰



²⁹ Zhiguo Gao and Bing Bing Jia, "The Nine-Dash Line in the South China Sea: History, Status, And Implications," *The American Journal of International Law* 107, no. 1 (01, 2013): 98–124, accessed February 3, 2014, <http://search.proquest.com/docview/1346762263?accountid=26503>.

³⁰ Wikimedia Commons, accessed August 24, 2014, <http://commons.wikimedia.org/wiki/File%3AWorld-Population-1800-2100.svg>

This paper is concerned with global development outcomes, rather than the enforcement of Westphalian claims of exclusivity to reminisce about past imperial glory. The global development perspective requires the cognition that all states' and peoples' development is obtain from a single global system. The use of liberalism and neo-mercantilism erroneously ignores the single global source of development, thus allowing justification of differentiated development outcomes. In critiquing the contemporary global political economy and its utility for development, the goal is to benefit Chinese individuals, the PRC and other claimants in the territorial disputes of East Asia. The mercantilist motive for territorial war may be avoided through dialectic of global development to undermine the present systemic power of neo-mercantilism and liberalism. This could be realised through modification by a global development perspective which allows for statecraft through an evolved form of sovereignty. A requirement of this is the utility of systemic power, allowing for forms of statecraft and sovereignty to enable development outcomes as measured by human security for approximately 10 billion people before the end of the century.