

# Forest City: Chinese Expansionism in a Post-Colonial World

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## Introduction

One decade ago, I took my first road trip from Singapore to Kuala Lumpur. When we drove past the Malaysian border, I would see small fishing villages filled with agile, wooden boats casting nets and lines. I always thought of these villages as a symbol of untouched history, a sign that fishermen and farmers could still coexist in the business-oriented world that had overtaken both Malaysia and neighboring Singapore. Today, these villages are gone. From the Singapore shores, I can see towering, futuristic-looking residential developments on reclaimed land where these villages once stood. It posed a question to me: Who built this grand piece of real estate, and why?

Little did I know that I was looking at Forest City, a project that is costing one of China's largest property development companies — Country Garden Holdings — a massive \$100 billion USD. Although located in the state of Johor, this property's luxurious flats are being sold to Chinese nationals instead of local Malaysians. Country Garden has marketed this property as part of the Belt and Road Initiative (BRI), a plan introduced by China President Xi Jinping to invest in nearly seventy countries across the world to create trade routes by land and sea.

When we compare this development in Malaysia to previous Chinese BRI developments in Africa, a pattern emerges. I argue that China's moves to expand its power, wealth, and influence across the world can be summarized into one term: expansionism. To achieve this, however, world powers have historically resorted to military control, territorial acquisitions, and in short,

colonialism. While colonialism has been widely condemned by the world, neocolonialism has risen in its place. Neocolonial acts move away from the aforementioned traditional colonial tactics and instead use globalization, financial power, and cultural imperialism to achieve expansionist goals. China is using its immense wealth as a tool to gain influence and power through its developments, and with examples like Forest City, can potentially challenge the sovereignty of entire nations. While some may see Chinese foreign investment as a net positive for poorer countries that need infrastructure and development, we cannot deny the fact that by accepting investment, these countries are forced under the influence of China's growing economy. As a result, countries become neocolonial subjects that not only face threats to sovereignty, but also drastic political and social implications.

### **The Forest City Development**

To fully understand the scale of Forest City, we need only to look at the numbers. The development will take up twenty square kilometers spread between four islands made from reclaimed land and is designed to house 700,000 people (Moser). With its USD \$100 billion price tag, Forest City is the largest Chinese urban development outside of China. To develop such a piece of real estate, Country Garden is collaborating with Malaysian company Esplanade Danga 88 Sdn Bhd, which is eighty percent owned by the Sultan of Johor (Moser). This means that the Sultan has an immense stake in this project and is banking on its success to bring economic prosperity for the state of Johor. While the scale of this project is ambitious, it is advertised as an urban hub of residential, recreational, and commercial areas, where one can walk to access any service. Another selling point for this property is its strategic location. Potential buyers are reminded by salespeople that Forest City will be a part of China's Belt and Road Initiative,

connecting this property with other business-related projects in Southeast Asia, Central Asia, and even Africa by sea (Moser). While there are other Chinese developments in Malaysia, several factors set Forest City apart.

Firstly, its location in the Special Economic Zone (SEZ) of Iskandar Malaysia. An SEZ is an area which has different business and trade laws to the rest of the country it is located in. SEZs like Iskandar Malaysia are usually created to incentivize foreign investment in order to boost the local economy, and typically have different laws regarding autonomy. Secondly, Forest City is marketed to Chinese nationals not as a vacation home, but as a permanent residence. It sells freehold properties, meaning that buyers would completely own that property, instead of the standard practices in Malaysia of selling ninety-nine-year leases (Moser). There are also programs that can fast-track permanent residency status for wealthy foreigners. Finally, despite its location in the state of Johor, the Malaysian state has little jurisdiction or authority in Forest City, causing a potential threat to sovereignty. Healthcare, security, education, management, and other amenities are privately run, and cater to Chinese nationals (Moser). Forest City is advertised as a completely privatized city, with no access to publicly provided services from the Malaysian government, and results in the loss of their typical control and authority.

These three characteristics about Forest City can make one believe that it is a Chinese territory located in Malaysia, and an example of the challenges to sovereignty Chinese expansionism can create. With the potential threat towards national security, some may question why Malaysia would allow a development of this nature to exist in the first place. By examining the shifts that have occurred in Malaysia's economic policies, we can understand how Iskandar Malaysia's conception and preliminary conditions paved the way for Chinese investment and subsequently, Forest City.

## **Iskandar Malaysia and Malaysia's Economic Policies**

Malaysia broke the chains of British colonialism in 1957 and became an independent country in 1963. In the 1960s, the Chinese Malaysians held on to a significant amount of the wealth in the country, despite being the minority race. This led the predominantly Malay government coalition, led by the United Malays National Organisation (UMNO), to enact the New Economic Policy (NEP) in 1970. This policy was created to specifically benefit those who the government calls the "Bumiputera." Because there is no official definition for the term, those who are considered Bumiputera are usually synonymously identified as "'native,' 'aboriginal,' 'indigene,' and most conveniently, 'Malay'" (Tey 124). The NEP provided preferential treatment in areas such as access to education, scholarships, trade, and business licenses in order to bring Malays out of poverty. UMNO also used the NEP for political gain by claiming that it would help disassociate wealth from belonging to a certain race. The NEP influenced Malaysia's economic policies for almost half a century. However, the SEZ of Iskandar Malaysia was a significant step away from those policies when it was officially launched in 2006.

One feature of the SEZ that contradicts the traditional Bumiputera-centered policies is the Initial Incentive and Support Package (ISP), which grants a concession to foreign investors who want to do business in Iskandar Malaysia. The concession contains, among other things, "tax incentives and entitlement for companies operating within Iskandar Malaysia to employ foreign employees freely within certain approved zones" (Tey 130). The ability for foreign investors to employ foreign employees freely is crucial to understand how Country Garden was able to privatize the whole of Forest City. The incentives that Iskandar Malaysia provided fitted perfectly

with what Country Garden wanted to achieve: a development catered for Chinese nationals, by Chinese nationals.

Iskandar Malaysia is not the only SEZ in Malaysia, yet it has differing economic policies from the rest of the country. Its uniqueness lies in its proximity to Singapore. The Iskandar Regional Development Authority (IRDA) knows that if there is enough investment and business in the region, Iskandar Malaysia can potentially compete with the respected financial hub of Singapore. The SEZ is already three times the size of the island nation, and economists are hopeful that the two regions' economies could potentially complement each other. Therefore, there is an emphasis on attracting foreign investment to the SEZ, thus a reason to incentivize lax economic policies. Fast forward ten years after the launch of Iskandar Malaysia, and China stands as the primary investor in the region (Moser). As Iskandar Malaysia moves away from the traditional Bumiputera-centered economic policies, it subsequently becomes more vulnerable to foreign actors like Country Garden, who have taken advantage of the lax jurisdictions and granted concessions.

### **Chinese Developments in Africa**

Prior to the development of Forest City, China has been experimenting with foreign investment and development in other countries for the past decade, specifically in Africa. In 2009, China became Africa's top trading partner, overtaking the United States (Van Mead). Seeing the economic potential, Chinese companies have since built railways, ports, and even airports in several African nations. One example lies on the shores of Tanzania, in the small fishing village of Bagamoyo. This and four other villages will be removed to make way for the largest port in Africa, a \$10 billion USD project between the Tanzanian government and state-run development

company China Merchant Holdings International (Van Mead). The port of Bagamoyo will also be located in an SEZ and aims to develop the region into an industrial area with a future population of 75,000 already written in the master plan. Sound familiar?

When we compare Forest City to the port of Bagamoyo, patterns emerge. There is a clear strategy that China is following to achieve expansionism:

Firstly, the use of SEZs and a common understanding between the Chinese companies and the local government or power structure allows China to indirectly challenge sovereignty while pledging to benefit the economy. We see this in both cases: Bagamoyo with the Tanzanian government and Forest City with the Sultan of Johor. Both local entities that hold power in their respective countries are relying on Chinese development to boost their economies.

Secondly, their use of economic power reflects a neocolonialist act, and it pressures countries who need investment to submit to China. In Africa, almost every project is funded by a Chinese commercial loan. Because these loans are at low-interest rates and have long repayment periods, countries that need infrastructure and modernization have no other choice but to take them. It was reported that “China loaned a whopping \$95.5bn on the continent between 2000 and 2015” (Van Mead) with about seventy percent of it going to power projects and modernizing transport infrastructure. By taking these loans while having vulnerable economies, these countries are now indebted to China. We can also see China’s economic power as an influence in Iskandar Malaysia, as the state of Johor has recognized them as their most important investor and accommodates Country Garden in return for economic prosperity.

This brings me to my third point: Chinese investment does not always aim for economic success but instead can create Sinocentric socio-political influence, thus making their efforts seem positive to local governments and populations. Sinocentrism is the idea that China is the cultural,

political, or economic center of the world, and is a large motivator for the Belt and Road Initiative. I argue that this kind of influence can still be used as capital and that it is just as important as direct economic success. To prove this, I will compare the motivations and methods neocolonialism adopts, and how they either differ or translate from colonialism.

### **The Neocolonial Agenda in a Post-Colonial World**

Ghana's first president, Kwame Nkrumah, explains neocolonialism as "the state which is subject to it is, in theory, independent and has all the outward trappings of international sovereignty. In reality, its economic system and thus its political policy is directed from outside" (Antwi-Boateng 179). To put it simply, subjects to neocolonialism appear to act independently and in control of their economics and politics when they have actually lost that control to a foreign actor. When comparing the motivations of 19<sup>th</sup> and 20<sup>th</sup> century British and French colonialism in Africa to that of Chinese development in the 21<sup>st</sup> century, several similarities occur. The differences however lie in method, and I will give examples by using Dr. Osman Antwi-Boateng's article, "New World Order Neo-Colonialism: A Contextual Comparison of Contemporary China and European Colonization in Africa."

The European colonists and China both looked to Africa for economic opportunities, which translated into the competition for raw materials and the pursuit of international markets. China's Belt and Road Initiative is in response to its increasingly growing manufacturing sector and has thus looked for new markets to enter. Similarly, European colonial powers operated in response to the rapid industrialization of Europe, and this led to trade and new markets in Africa (Antwi-Boateng 182). Both entities took advantage of the markets in Africa for economic success and have used development in order to support their efforts. In the early 20<sup>th</sup> century, Europeans were

the first to start the developmental approach in Africa by building roads, railways, and channels for communication (Antwi-Boateng 182). This strategy has been adopted by the Chinese in the 21<sup>st</sup> century, with examples like Ethiopia's 470-mile electric railway, or Kenya's 290-mile railway, both built by Chinese companies (Van Mead). While I agree with those that think these developments are positives for Africa, I stress the need to look at the bigger picture and realize that they are only to power and support the markets that China wants to control. Unfortunately, this is the most accessible way for these African countries to receive development and foreign investment.

While neocolonial and colonial motivations are similar, the methods have changed drastically. China aims to portray itself as a "peaceful rising power," resulting in the use of soft power to influence its foreign policies. Where hard power is the use of military or economic strength to fuel a coercive approach, soft power is instead the use of appeal and attraction to shape the preferences of others. European colonists depended on hard power to control populations, which resulted in anti-colonial sentiments in each of their colonies. Soft power, however, like China's development projects and aid packages, creates pro-Chinese sentiments and can be translated into Sinocentrism. This influence can be used as capital because by creating pro-Chinese sentiments, governments and populations now trust China as a world power to act in their shared interests, and thus allows China to pursue their own interests in expansionism. The spread of Sinocentrism does not stop in Africa however. Dr. Antwi-Boateng notes that "there are an estimated 12,000 African students studying in China with the support of the Chinese government" (184). This means that the Chinese government is grooming a new generation of Sinocentric-educated Africans to be persuaded and biased towards China and allows for the further use of Africa's natural resources, trade, and markets. China has found a way to legitimize its neocolonial



acts in a post-colonial world where they are influencing sovereign, UN-recognized nations, not individual colonies.

While I claim that these methods in Africa can be defined as neocolonialism, some academic voices think otherwise. Dr. Amitai Etzioni, a professor at George Washington University, explains that because China's developments are very beneficial for African countries, China cannot be defined as a neocolonial power. In an article for the online newspaper, *The Diplomat*, he writes that "China is not forcing countries to accept bad projects or incur debts through pressure or deception about project viability" (Etzioni) to prove his point that China wants to collaborate with Africa, not control it. While it is true that China does not force countries to accept projects or loans, I argue that they use the aforementioned soft power model to maintain economic control, and only appear collaborative to reinforce their image as a "peaceful rising power." They are not forcing countries on purpose, and instead are offering favorable and appealing deals and packages to spread their influence.

China is extremely concerned with its global image, and that has led to its soft power policies. But that image can be skewed, and even vilified. Chinese neocolonialism and expansionism can create drastic political and social implications around the world. Malaysia's 14<sup>th</sup> General Election (GE14) in 2018 illustrates how influential Chinese neocolonialist acts do not exist in isolation.

### **The Implications of Neocolonialism**

GE14 came at a tumultuous period for Malaysia's government. Prior to the election, then prime minister Najib Razak was exposed for siphoning approximately \$700 million USD of public funds into his personal bank accounts, now known as the 1MDB scandal. The election resulted in

the removal of the previous government coalition, including UMNO, who had been in power since the end of colonial rule. The winning coalition Pakatan Harapan (PH), led by former prime minister Mahathir Mohamad, has China to thank for its victory. During his first tenure as prime minister from 1981-2003, Mahathir, then a member of UMNO, actively increased ties with China and improved foreign relations. Mahathir's successor, Najib took that relationship one step further by heavily supporting China's developments in Malaysia. During GE14 however, Mahathir heavily politicized these developments, while simultaneously connecting them to Najib's financial scandal to associate UMNO with corruption.

Mahathir focused on Forest City as an example of the threat of sovereignty Malaysia was facing. It is worth noting that by 2018, a year after Forest City started selling units, the Chinese government was losing faith in Forest City's success and was beginning to disassociate it with the BRI (Malhi). In Malaysian politics, however, many believed that Forest City was still highly valued by China, and Mahathir used Forest City to imply that it was a threat worth fearing. His campaign pointed out that over eighty percent of the 18,000 already sold units were bought by Chinese nationals, and that the prices were too high for average Malaysians to afford (Malhi). This influenced his political following to associate Forest City with Mahathir's previous rhetoric that BRI developments challenged national security, and that they could threaten Malaysia's sovereignty. He then cited Najib's approval of these developments to imply that Najib was also complicit in this threat and that Najib's recent scandal meant both his government and these developments were steeped in corruption.

While this tactic worked well, it was not enough to sway many low-income, rural Malay voters, a large voting bloc that Mahathir needed to convince in order to win. Najib had traditionally provided either subsidies, amenities, or even money to win over rural Malays, largely because

UMNO depended on Bumiputera-centered policies to further strengthen their predominantly Malay support. Since they received such preferential treatment, accusing Najib's government of corruption was not enough to change their minds. This led Mahathir to use Malaysia's racial dynamic to shift the collective thinking of this voting bloc. Stemmed from a history of racial tension, many rural Malays were fearful that if PH were to win, Chinese Malaysians would suddenly be in charge of the country (several majority Chinese Malaysian parties were part of the coalition). Mahathir used this fear of the "Chinese threat" and "responded not by attacking the racism implicit in this accusation, but by 'flipping' and externalizing the Chinese threat narrative onto the People's Republic via the BRI projects he identified" (Malhi). In other words, he was able to adapt the fear of Chinese control from the Chinese Malaysians to the Chinese nationals who were developing projects like Forest City. He also changed his rhetoric about Najib's scandals, claiming corruption as "theft", and Najib himself as a "thief" (Malhi). Mahathir took advantage of the fact that most rural Malays lack a formal education as they work in agriculture and knew that threatening their way of life would be the only way to get their support. Corruption becomes a much easier concept to understand once it is translated into stealing. And by changing the language of ideas like corruption into stealing, or Chinese developments into threats of sovereignty, PH was able to portray Najib and his government as the greatest danger to Malaysia's future, and this, in turn, won Mahathir this crucial voting bloc, and subsequently, the election.

There are multiple political implications described in this example, but social ramifications also occur. Mahathir knew how to leverage Chinese support when it was politically advantageous for himself. He had the chance to use Chinese expansionism as a rallying cry to promote Malaysian identity and denounce racism in the process. He instead shifted the Malays' fear of Chinese Malaysians to Chinese nationals in order to win the election — and in turn — allowed racism in

Malaysia to thrive. This can potentially affect race relations in Malaysia's future, especially given the tense relationships between the Malays and the Chinese Malaysians. And while in this case, the winning coalition overthrew an extremely corrupt government, what if it was the other way around? The result of Chinese expansionism remains clear: it causes the destabilization of local politics and governments. As this example shows, any political actor can easily use Chinese developments as a political weapon, and entire governments and power structures are at risk. Malaysia's UMNO coalition was in power for sixty-one years. A non-political actor, Forest City, was enough to change the status quo and undermine political dominance.

## **Conclusion**

The effect Chinese expansionism has on politics, societies, and sovereignty becomes clear once we compare Forest City with China's BRI developments in Africa and analyze how Mahathir won GE14. On the other hand, when analyzing why they engage in expansionism, complications arise: did China develop the "peaceful rising power" image, or is it modeling itself after another certain world power? Is it possible that Chinese expansionism is not a challenge, but instead a response? This complication leads me to question what role the United States has historically played in the global setting. Can we classify events like the Bay of Pigs Invasion, the overthrow of Saddam Hussien's regime, or even the Vietnam War as colonizing acts? In January 2019, *Smithsonian Magazine* revealed that the U.S. military is operating in over eighty countries, spanning every continent except Antarctica (Savell). Based on the colonial framework, does this incredible military presence illustrate colonial power? America has also developed neocolonial tactics that influence the entire world. Think Hollywood, American music, the large number of foreign students in U.S. colleges, American corporations, fashion, and English as a global

language. With America seemingly at the peak of its power, is it now time for another world power to slowly take its place?

China has no plans on stopping its global takeover. On November 16, 2020, the Regional Comprehensive Economic Partnership (RCEP), a multilateral trading pact that includes China, Japan, Australia, New Zealand, South Korea, and all of Southeast Asia, was signed and will provide free trade agreements to a third of the world's population, who account for twenty-nine percent of global gross domestic product (McDonald). The RCEP was conceived by China, and America was specifically excluded after President Trump withdrew from a deal that could rival the RCEP called the TPP shortly after taking office (McDonald). With America out of the way, China spreads its Sinocentric influence once again, this time under the guise of a multilateral trade agreement that covers a third of the world.

Malaysia, which is part of the RCEP, has seen its Chinese developments struggle in the past year, notably Forest City. This could be due to either the Coronavirus pandemic or the lack of sales and loss of demand (18,000 out of the projected 700,000 units sold by 2018). Nevertheless, the failure of Forest City is evidence that Chinese expansionism and its neocolonial efforts disrupt governments and politics without being held accountable, as China itself receives no repercussions. For decades, America's power and influence remained unchecked, and it resulted in war and cultural hegemony. Now that China is poised to become the next global superpower, we cannot stand by and let them, America, or any entity dictate our politics, societies, and rights to sovereignty. If we can recognize neocolonialism, we can combat it. Otherwise, we will all become subjects to yet another world power.

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