

Discussion 9: Markets vs. Mercantilism

2 Paradigms

- Markets and Mercantilism

Market Paradigm

- What is the role of the state in the Market Paradigm?
 - Nothing
 - Step back
 - Influences on market
 - Supplier stability
 - Pipelines
 - Waterways
 - Sea Lanes of Communication (SLOCs)
 - Key waterways
 - Strait of Hormuz
 - Fear of Iran/Iraq stopping flow of oil from Saudi Arabia and Kuwait
 - Strait of Malacca
 - Off of Singapore
 - Why British colonized Singapore
 - Shortest way to get from Middle East to China/Japan
 - Threats
 - Pipelines
 - Go through other countries
 - The "stans"
 - Russia
 - External strategies
 - Make Friends
 - Sea Lanes
 - Go around them using pipelines (diversion)
 - Develop a blue water navy
 - Navy that can go beyond own boundaries
 - Downsides
 - Cost
 - Annoying US
 - Taiwan is an issue
 - China is kind of trying to build a blue water navy
 - Supplier stability
 - Regime stability
 - Maintain the status quo
- China is very scared of a pure market paradigm

Mercantilism

- Don't believe the markets are really free markets
- Based on political alliances and corruption
- Suppliers
 - Capacity?
 - Deception and politics

So, if you were suddenly plopped down as the head of China tomorrow, which model would you go with?

- Mercantilism

- Inefficient
 - Have to throw a lot of money around
- If you have the power to leverage like China does, they can use that to their advantage more in a mercantilism setting
- Markets
 - More efficient
- Chinese Strategies for leverage in the Middle East and Russia
 - Ingratiate themselves with the Iranians
 - India and Russia are both also in bed with Iran
 - Stay out of the Israel-Palestine issue
 - Israel is a big supplier of arms and technology to a lot of military stuff