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

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