Unit 5 Discussion

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1. Is China pursuing a neo-mercantilist economic policy? Explain your position.

Indeed, China has been consequentially known to have become an economy due to the rapid change in its industrial sectors. A large amount of foreign direct investment (FDI) is involved in shaping the Chinese economy. This consequence is undoubtedly the result of its mercantilist policy. The considerable amount of foreign exchange reserve is the result of Chinese exports to other foreign countries due to the accelerated inward FDI. China has only selected its export sector to make the most of its GDP instead of raising productivity in all sectors equally. This approach is precisely recognized as a neo-mercantilist approach as they use a host of mercantilist actions to gain investments. All of there economic policies and actions are favorably linked to a neo-mercantilist approach as it helps them gain investments. They use this approach to gain a competitive advantage in there key industrial sectors. Moreover, there are lower standards of living while only a small proportion of export-based industries are making all of the money.

1. Based on your answer to part 1, should the United States and other trading partners of China take any action?

China has exceedingly gained prominence over the world power through pursuing a neo-mercantilist policy, concerning other countries about their economic performance, especially the United States. What the United States and other trading partners of China can do is impose significant tariffs on Chinese goods to break there mercantilistic approach. Even though America and China have been the top trading partners since 1990s, it is time that the United States take a step towards breaking their neo-mercantilistic approach. China has been damaging the U.S. economy and job pattern for decades and now is the time when these trade partners can introduce some corrections in the trade deficits with China. With certain taxes and tariffs being imposed on Chinese manufactured products, it can cause retaliation between the two countries to a considerable extent. It can also cause major companies to cease their international activities in the U.S. due to the change in policies caused by the United States.

**References**

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